

**NATIONAL ENERGY BOARD  
OFFICE NATIONAL DE L'ÉNERGIE**



**Hearing Order RH-001-2016  
Ordonnance d'audience RH-001-2016**

**TransCanada PipeLines Limited  
Application for Approval of Storage Transportation Service  
Modernization and Standardization**

**TransCanada PipeLines Limited  
Demande visant à faire approuver la modernisation et la normalisation  
du service de transport assorti de stockage**

**VOLUME 1**

**Hearing held at  
L'audience tenue à**

**National Energy Board  
517 Tenth Avenue SW  
Calgary, Alberta**

**September 19, 2016  
Le 19 septembre 2016**

**International Reporting Inc.  
Ottawa, Ontario  
(613) 748-6043**

**Canada**

© Her Majesty the Queen in Right of Canada 2016  
as represented by the National Energy Board

This publication is the recorded verbatim transcript  
and, as such, is taped and transcribed in either of the  
official languages, depending on the languages  
spoken by the participant at the public hearing.

Printed in Canada

© Sa Majesté du Chef du Canada 2016  
représentée par l'Office national de l'énergie

Cette publication est un compte rendu textuel des  
délibérations et, en tant que tel, est enregistrée et  
transcrite dans l'une ou l'autre des deux langues  
officielles, compte tenu de la langue utilisée par le  
participant à l'audience publique.

Imprimé au Canada

**HEARING ORDER/ORDONNANCE D'AUDIENCE**  
**RH-001-2016**

**IN THE MATTER OF TransCanada PipeLines Limited**  
**Application for Approval of Storage Transportation Service Modernization**  
**and Standardization**

**EN MATIÈRE DE TransCanada PipeLines Limited**  
**Demande visant à faire approuver la modernisation et la normalisation du**  
**service de transport assorti du stockage**

**HEARING LOCATION/LIEU DE L'AUDIENCE**

Hearing held in Calgary, Alberta, Monday, September 19, 2016  
Audience tenue à Calgary (Alberta), lundi, le 19 septembre 2016

**BOARD PANEL/COMITÉ D'AUDIENCE DE L'OFFICE**

R. George	Chairman/Président
L. Mercier	Member/Membre
J. Gauthier	Member/Membre

## **APPEARANCES/COMPARUTIONS**

(i)

### **APPLICANTS/DEMANDEURS**

TransCanada PipeLines Limited

- Mr. C. Kemm Yates, Q.C.
- Mr. Matthew Ducharme

### **INTERVENORS/INTERVENANTS**

Centra Gas Manitoba Inc.

- Ms. Helga Van Iderstine
- Mr. Brent Czarnecki

Enbridge Gas Distribution Inc.

- Mr. Dennis P. Langen
- Ms. Caitlin M. Graham

St. Lawrence Gas Company, Inc.

- Mr. Dennis P. Langen

Tenaska Marketing Canada, a division of TMV Corp.

- Mr. Tomasz Lange

Union Gas Limited

- Mr. Lawrence E. Smith

**National Energy Board/Office national de l'énergie**

- Ms. Diana Audino

## TABLE OF CONTENTS/TABLE DES MATIÈRES

(i)

Description	Paragraph No./No. de paragraphe
Opening remarks by the Chairman	1
Registration of appearances by Ms. Audino	31
<u>TransCanada PipeLines Limited</u>	
Mr. Dave Schultz	
Mr. Alex Harris	
Mr. Grant Kuntz	
Mr. Matthew Wharton	
Mr. John J. Reed	
- Examination by Mr. Yates	67
- Examination by Ms. Van Iderstine	155
- Examination by Mr. Langen	445
- Examination by Mr. Smith	912

## **LIST OF EXHIBITS/LISTE DES PIÈCES**

<b>No.</b>	<b>Description</b>	<b>Paragraph No./No. de paragraphe</b>
C4-8	Filing A79452. Excerpt of testimony provided by Mr. Reed in response to question posed by Mr. Mondrow in RH-001-2013, Volume 1, paragraphs 843 and 844	794

## UNDERTAKINGS/ENGAGEMENTS

No.	Description	Paragraph No./No. de paragraphe
U-1	By TransCanada to look into when they last filed a cost allocation study of its rate design and how frequently they had been filed.	1225

**Opening remarks  
Chairman**

--- Upon commencing at 9:01 a.m./L'audience débute à 9h01

1. **THE CHAIRMAN:** Good morning, ladies and gentlemen. Bonjour, mesdames et messieurs.
2. My name is Roland George. I am the Chair of this Panel established by the National Energy Board to consider the application by TransCanada PipeLines Limited, which I will refer to as TransCanada, for an order approving amendments to the Canadian Mainline Gas Transportation Tariff with respect to the Storage Transportation Service (STS), and to eliminate Storage Transportation Service-Linked (STS-L).
3. The Board set the application for an oral public hearing commencing today in Calgary. Hearing this application with me are fellow Panel members, Lyne Mercier seated to my right, and M. Jacques Gauthier, seated to my left.
4. At this time, I would like to introduce Board staff in the room with us today. Seated to my right is Danielle Comte, Regulatory Officer. Also to my right is Board Counsel, Diana Audino.
5. Seated next to Board counsel are our specialists, Katie Johnson, Hearing Manager -- if you could just stand up, Katie? And you'll see why later -- Andrea Oslanski and Margaret Skwara, Market Analysts; Barry Branstion, Technical Leader, Economics; and Richard Pallister, Financial Regulatory Analyst.
6. We also have our court reporter sitting next to Ms. Comte.
7. All of our staff members are wearing NEB ID badges for ease of identification. Please feel free to approach any of them if you have any questions or concerns.
8. Now for a safety moment. Before I continue with the specifics of how the hearing will unfold, I will provide some safety information.
9. Should a situation arise where it is necessary to evacuate this building, our Hearing Manager, Katie Johnson -- could you show yourself again, Katie -- will guide you. We will exit the room using the doors you used to enter the hearing room. "Emergency Exit" signs will guide you to the nearest stairwell. Please exit in an orderly fashion.



10.               Once outside, please ensure that your entire group has evacuated the building. The designated muster point is Central Memorial Park, on the corner of 2nd Street SW and 12th Avenue SW. For those of you that are geographically-minded, it's approximately where I'm pointing, over there.
11.               Evidentiary phase. After the registration of appearances and after any preliminary matters have been dealt with, the oral evidentiary phase of the hearing will begin.
12.               TransCanada witness panel will be seated and witnesses will be sworn or affirmed by Ms. Comte. The Panel will adopt its evidentiary evidence and will then be available for cross-examination by intervenors in the order set out in the Order of Appearances, which is attached to Board's Procedural Directive dated September 2<sup>nd</sup>, 2016. Following questions by Board counsel, Board Members may also ask questions of the TransCanada panel.
13.               For intervenor witness panels, we understand that only TransCanada intends to examine. Therefore, we will call upon TransCanada after intervenor witness panels have been empanelled. Should something change, we will call upon intervenor panels first as set out in the Order of Appearances, followed by TransCanada and then Board counsel and Board Members.
14.               We will only call upon participants for cross-examination that have indicated that they intend to cross-examine a witness panel.
15.               After the evidentiary phase of the hearing is complete, the Board will proceed with oral argument.
16.               Some parties have indicated an intention to file written argument. The Board will provide guidance on the deadline to submit written argument as the hearing unfolds. However, all participants should know that the deadline for submitting written argument will happen soon after the close of the evidentiary record, but before oral argument commences.
17.               During the proceeding, the Board will be viewing exhibits electronically. To ensure an efficient process, please follow the procedures outlined in the Procedural Directives, copies of which are located at the back of the room.

**Opening remarks  
Chairman**

18. In particular, time is saved referring to exhibits when the list of documents to be referred to by Board counsel is provided in advance to Ms. Comte. Also, referring to the Adobe page number is of great assistance in finding the exact reference within an exhibit.
19. At the back of the room are a number of other documents, including the Exhibit List and the Order of Appearances. If any party is uncertain of the process or requires information concerning the entering of exhibits or other hearing-related matters, we would ask that you speak to Board counsel, Ms. Audino.
20. In respect of the hearing schedule, the Board intends to sit today from 9:00 a.m. until approximately 3:30 p.m., with breaks as appropriate. We will take a 20-minute break around 10:30 a.m., a 1-hour break for lunch between 12:00 and 1:00 p.m., and a 10-minute break around 2:30 p.m.
21. All of the breaks are subject to take place at a convenient time for cross-examining counsel.
22. The Board will advise of any further changes to the hearing schedule if the need arises.
23. To assist everyone with scheduling, it would be helpful if counsel or party representatives would keep Board counsel up to date with their time estimates for cross-examination.
24. We will begin today with the registration of appearances. You need not register your appearance if you have already done so in writing.
25. When registering your appearance, please indicate if you wish to file documents that do not appear on the Exhibits List and whether you have any preliminary matters.
26. Please remember that this proceeding is being broadcast live on the Board's website, and therefore you must push the button on the podium to turn on your microphone so that those listening at home can hear you.
27. Any preliminary matters will be dealt with following the registration of appearances. Please advise the Board if you have any changes to the panels

**Registration of appearances**  
**Ms. Audino**

- you intend to cross-examine or how you wish to present final argument.
28. We will now proceed with the registration of appearances. When the name of your organization is called, please come forward and state your name and the name of the organization you represent.
29. Lorsque nous mentionnerons le nom de votre organisme, nous vous prions de vous identifier ainsi que le nom de l'organisme que vous représentez.
30. I would ask Ms. Audino to please proceed with the registration of appearances.
31. **MS. AUDINO:** Thank you, Mr. Chairman.
32. For the record, my name is Diana Audino and I will be Board counsel for this proceeding. As indicated by the Chairman, when I call your name, please confirm whether you have any changes to the procedural information you provided to the Board on the 12<sup>th</sup> of August, 2016, regarding preliminary matters, cross-examination, and final argument.
33. We will begin with the Applicant, TransCanada PipeLines Limited.
34. **MR. YATES:** Thank you, Ms. Audino, Mr. Chairman, Members.  
Good morning.
35. My name is Yates, spelled Y-A-T-E-S, initials C.K., and I'm counsel for the Applicant. With me is Mr. Matthew Ducharme, D-U-C-H-A-R-M-E, who is also counsel for the Applicant.
36. TransCanada has no preliminary matters, no additional documents to file. The last documents that were filed last week were the opening statement and a corrections document, and they both appear on the exhibit list. And TransCanada will ask to be called for cross-examination of each of the three intervenors who are providing evidence.
37. **MS. AUDINO:** Thank you, Mr. Yates.
38. 1425445 Ontario Ltd., doing business as Utilities Kingston...?

--- (No response/Aucune réponse)

39. **MS. AUDINO:** BP Canada Energy Group, ULC...?

--- (No response/Aucune réponse)

40. **MS. AUDINO:** Centra Gas Manitoba Inc. ...?

41. Your microphone.

42. **MS. VAN IDERSTINE:** My name is Helga Van Iderstine. That's V-A-N I-D-E-R-S-T-I-N-E. I am here and appearing on behalf of Centra Gas. With me will be Mr. Brent Czarnecki, C-Z-A-R-N-E-C-K-I.

43. We are ready to proceed and there are no changes. We don't have any preliminary matters. We have no other additional documents to file. We did, however, file our opening statement this morning and it should be on the exhibit list now. I can advise that we anticipate our cross-examination to be about an hour or perhaps less. Thank you.

44. **MS. AUDINO:** Thank you.

45. Enbridge Gas Distribution Inc. ...?

46. **MR. LANGEN:** Good morning, Mr. Chairman, Panel members.

47. My name is Langen, L-A-N-G-E-N, initials D.P. Appearing with me will be my colleague, Ms. Graham, G-R-A-H-A-M, initials C.M. We're counsel for Enbridge Gas Distribution.

48. Enbridge has no preliminary matters, no documents to file. We do have an update with respect to our cross-examination estimate. Currently, the estimate is between one to two hours.

49. And if I may, Mr. Chairman, while I'm up here, if I can enter an appearance for St. Lawrence Gas?

50. **MS. AUDINO:** Yes, you may.

51. **MR. LANGEN:** I'm appearing for St. Lawrence Gas and there are no updates there as well. Thank you.

52. **MS. AUDINO:** Thank you, Mr. Langen.

53. Ontario Ministry of Energy...?

--- (No response/Aucune réponse)

54. **MS. AUDINO:** Société en commandite Gaz Métro...?

--- (No response/Aucune réponse)

55. **MS. AUDINO:** Tenaska Marketing Canada, a division of TMV Corp....?

56. **MR. LANGE:** Good morning, Mr. Chairman, Board members.

57. My name is Tomasz Lange, L-A-N-G-E. I represent Tenaska Marketing Canada. We do not have any preliminary matters or any documents to file. I was advised we do not need to be called for cross-examination. However, we do reserve the right to file a final argument. Thank you.

58. **MS. AUDINO:** Thank you. Union Gas Limited...?

59. **MR. SMITH:** Good morning, Mr. Chairman, Panel.

60. My name is Smith, initials L.E, appearing on behalf of Union Gas Limited. We have no preliminary matters. We did file yesterday an opening statement and direct evidence for two of our witnesses. That was given Exhibit A-79460-1, -2, -3, -4 sequentially. I don't know how that flanges up with the C series exhibits, and I'll leave that to Ms. Audino to translate, and the -- but I am assuming I needn't tender anything for filing at the present time. I do have extra hard copies that I'll put at the back of the room.

61. In terms of time estimates, as I indicated to Board counsel just this morning, I would think that we're probably more in the range of an hour and a half, maybe two hours, and that may be causing a certain tweak of panic to my friend Mr. Yates, given the pace that this appears likely to proceed at. Thank you, sir.

62. **MS. AUDINO:** Thank you, Mr. Smith.

63. Are there any other intervenors who have not been called?

--- (No response/Aucune réponse)

64. **MS. AUDINO:** Mr. Chair, that concludes the registration of appearances.

65. **THE CHAIRMAN:** Thank you.

**MATTHEW WHARTON: Sworn**

**GRANT KUNTZ: Sworn**

**JOHN REED: Sworn**

**ALEX HARRIS: Sworn**

**DAVID SCHULTZ: Sworn**

66. **THE CHAIRMAN:** Mr. Yates?

**--- EXAMINATION BY/INTERROGATOIRE PAR MR. YATES:**

67. **MR. YATES:** Thank you, Mr. Chairman. I will now introduce the panel and lead them through the adoption of their direct evidence.

68. Farthest from the Panel is Mr. Dave Schultz who is the Vice President, Commercial East, Canadian Natural Gas Pipeline for TransCanada PipeLines Limited.

69. Next to Mr. Schultz is Mr. Alex Harris who is Director, Commercial East for Canadian Natural Gas Pipelines at TransCanada.

70. In the middle of the panel is the familiar figure of Mr. John J. Reed, who is Chairman and Chief Executive Officer of Concentric Energy Advisors, Inc.

71. Next to Mr. Reed is Mr. Grant Kuntz, who is Manager of Rates and Services, East, Canadian Natural Gas Pipelines for TransCanada.

72. And closest to the Board is Mr. Matthew Wharton who is Senior Financial Analyst, Rates and Services, East, for Canadian Natural Gas Pipelines for TransCanada.

73. So we'll start with you, Mr. Schultz, if I may. Do you have before you a copy of section B of the National Energy Board exhibit list most recently revised on September 16<sup>th</sup>?
74. **MR. SCHULTZ:** I do.
75. **MR. YATES:** Can you confirm for us that the exhibits listed in section B, other than the testimony of the expert witness Mr. Reed, and the information request responses relating to that expert testimony, and including any updates and corrections, were prepared under your ultimate direction and control?
76. **MR. SCHULTZ:** Yes.
77. **MR. YATES:** Were you also personally involved in the preparation of various aspects of the evidence of TransCanada that is being spoken to by this panel of witnesses?
78. **MR. SCHULTZ:** Yes.
79. **MR. YATES:** Now, the written evidence of Mr. Reed including responses to information requests relating to his testimony and his reply evidence is included in the section B TransCanada exhibits; can you confirm that?
80. **MR. SCHULTZ:** Yes.
81. **MR. YATES:** The list of corrections to the TransCanada evidence was filed as Exhibit B16-1, or A79432-1, on Friday. Do you have any further corrections or additions to make to any of the TransCanada exhibits?
82. **MR. SCHULTZ:** I do not.
83. **MR. YATES:** All right. Are the exhibits listed in section B therefore accurate to the best of your knowledge and belief?
84. **MR. SCHULTZ:** Yes.
85. **MR. YATES:** And do you accept and adopt all of the exhibits listed in section B as the evidence of TransCanada in this case?

86. **MR. SCHULTZ:** Yes, I do.
87. **MR. YATES:** Can you confirm that this panel will speak to all of those documents in accordance with the general areas of responsibility as set out in the direct evidence of the five witnesses that's filed as Exhibit B14-4? I should say the four witnesses, excluding Mr. Reed.
88. **MR. SCHULTZ:** Yes.
89. **MR. YATES:** Yeah. Now, do you have a copy of the document entitled "Direct Evidence of Dave Schultz" which is included in Exhibit B14-4?
90. **MR. SCHULTZ:** Yes.
91. **MR. YATES:** Was that document prepared under your specific direction and control?
92. **MR. SCHULTZ:** Yes.
93. **MR. YATES:** Is it accurate to the best of your knowledge and belief?
94. **MR. SCHULTZ:** Yes.
95. **MR. YATES:** And do you accept and adopt it as part of your testimony in these proceedings?
96. **MR. SCHULTZ:** Yes.
97. **MR. YATES:** Thank you, Mr. Schultz.
98. Mr. Harris, can you confirm for us that you were involved in the preparation of various aspects of the evidence of TransCanada?
99. **MR. HARRIS:** Yes.
100. **MR. YATES:** Is that evidence accurate to the best of your knowledge and belief?
101. **MR. HARRIS:** Yes.



**TransCanada PipeLines Limited**  
**Examination by Mr. Yates**

102.           **MR. YATES:** Do you have a copy of the document entitled “Direct Evidence of Alex Harris” which is included in Exhibit B14-4?
103.           **MR. HARRIS:** Yes, I do.
104.           **MR. YATES:** Was that document prepared by you or under your specific direction and control?
105.           **MR. HARRIS:** Yes.
106.           **MR. YATES:** Is it accurate to the best of your knowledge and belief?
107.           **MR. HARRIS:** Yes.
108.           **MR. YATES:** And do you accept and adopt it as part of your testimony in these proceedings?
109.           **MR. HARRIS:** Yes.
110.           **MR. YATES:** Mr. Kuntz, can you confirm for us that you were involved in the preparation of various aspects of the evidence of TransCanada that will be spoken to by this panel of witnesses?
111.           **MR. KUNTZ:** Yes.
112.           **MR. YATES:** Is that evidence accurate to the best of your knowledge and belief?
113.           **MR. KUNTZ:** Yes, it is.
114.           **MR. YATES:** Do you have a copy of the document entitled “Direct Evidence of Grant Kuntz” which is included in Exhibit B14-4?
115.           **MR. KUNTZ:** Yes.
116.           **MR. YATES:** Was that document prepared by you or under your specific direction and control?
117.           **MR. KUNTZ:** Yes, it was.

**TransCanada PipeLines Limited**  
**Examination by Mr. Yates**

118.           **MR. YATES:** Is it accurate to the best of your knowledge and belief?
119.           **MR. KUNTZ:** Yes.
120.           **MR. YATES:** And do you accept and adopt it as part of your  
testimony in these proceedings?
121.           **MR. KUNTZ:** I do.
122.           **MR. YATES:** Mr. Wharton, can you confirm for us that you were  
involved in the preparation of various aspects of the evidence of TransCanada?
123.           **MR. WHARTON:** Yes.
124.           **MR. YATES:** Is that evidence accurate to the best of your knowledge  
and belief?
125.           **MR. WHARTON:** Yes.
126.           **MR. YATES:** Do you have a copy of the document entitled “Direct  
Evidence of Matthew Wharton” which is included in Exhibit B14-4?
127.           **MR. WHARTON:** Yes, I do.
128.           **MR. YATES:** Was that document prepared by you or under your  
specific direction and control?
129.           **MR. WHARTON:** Yes.
130.           **MR. YATES:** Is it accurate to the best of your knowledge and belief?
131.           **MR. WHARTON:** Yes.
132.           **MR. YATES:** And do you accept and adopt it as part of your  
evidence in this proceeding?
133.           **MR. WHARTON:** I do.
134.           **MR. YATES:** Mr. Reed, your written evidence entitled “Written

**TransCanada PipeLines Limited**  
**Examination by Mr. Yates**

- Evidence of John J. Reed” dated February 18<sup>th</sup>, 2016 is included in the TransCanada application as Exhibit B1-2. Your reply evidence entitled “Reply Evidence of John J. Reed” and dated August 29<sup>th</sup>, 2016 is filed as Exhibit B14-3. Were those documents prepared by you or under your direction and control?
135.           **MR. REED:** Yes, they were.
136.           **MR. YATES:** Can you confirm that the responses to information requests directed to you in respect of your evidence and included in the filed responses of TransCanada were in fact prepared by you or under your direction and control?
137.           **MR. REED:** Yes, they were.
138.           **MR. YATES:** And do you have any corrections or additions to your evidence, your reply evidence or your responses to information requests?
139.           **MR. REED:** No, I do not.
140.           **MR. YATES:** And is that evidence -- reply evidence and those information request responses, are they accurate to the best of your knowledge and belief?
141.           **MR. REED:** Yes, they area.
142.           **MR. YATES:** Were you also involved in the preparation of the TransCanada application as well as various responses of TransCanada to information requests?
143.           **MR. REED:** Yes, I was.
144.           **MR. YATES:** Do you accept and adopt your evidence, reply evidence and the relevant responses to information requests, as part of your testimony in these proceedings?
145.           **MR. REED:** I do.
146.           **MR. YATES:** Now, Mr. Chairman, Mr. Reed is being presented as an expert witness. His qualifications appear in an appendix to his evidence. He has,

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

of course, been accepted by the Board as an expert on regulatory policy, and rate and regulatory matters on a number of previous occasions including RH-003-2011, RH-001-2013, and RH-001-2014.

147. And in those circumstances I don't propose to have him go through his qualifications orally but would ask that he be accepted again as an expert witness in this proceeding in respect of the application and the matters to which his evidence relates.

148. **THE CHAIRMAN:** Yes, we accept him as an expert.

149. **MR. YATES:** Thank you, Mr. Chairman.

150. The TransCanada opening statement was filed on September 15<sup>th</sup> as Exhibit B15-1; it has been accepted and adopted by Mr. Schultz. And in accordance with the procedural directions, it will not be read into the record and that means that the witnesses are now available for cross-examination.

151. **THE CHAIRMAN:** Thank you, Mr. Yates.

152. I believe, if I've got this right, it's Ms. Iderstine. I apologize if I mispronounced your name.

153. **MS. VAN IDERSTINE:** Just might have a moment while we set up, please?

154. Thank you. I'm ready to proceed.

**--- EXAMINATION BY/INTERROGATOIRE PAR MS. VAN IDERSTINE:**

155. **MS. VAN IDERSTINE:** Mr. Reed, can you advise us when you were retained to review the STS tolls and tariffs in this application?

156. **MR. REED:** That answer was provided in response to a discovery request and an information request. I think it was July of 2015.

157. **MS. VAN IDERSTINE:** July of 2015?

158. **MR. REED:** For this -- let's go back and check to be sure. That's my belief, subject to check.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

159. **MS. VAN IDERSTINE:** And did you -- can you tell us what documents you reviewed in preparation for your report?
160. **MR. REED:** Drafts of the application, materials from the TTF, the tariff, summaries of contracts. I think that's the material specific to this application.
161. **MS. VAN IDERSTINE:** And did you review any specific data related to it?
162. **MR. REED:** Yes, there certainly was tabular information and data in the draft of the application and the attachments to the application that I reviewed.
163. **MS. VAN IDERSTINE:** So other than the information that's contained in the application you didn't review any additional data?
164. **MR. REED:** Prior to the preparation of my direct evidence; is that your question?
165. **MS. VAN IDERSTINE:** Yes.
166. **MR. REED:** I don't think so.
167. **MS. VAN IDERSTINE:** So I just want you to confirm that you did not review -- were not provided any data or information detailing the costs of TransCanada providing STS with regards to the appropriateness of the amendments and any impacts on revenues, other services, and tolls?
168. **MR. REED:** Other than what's contained in the application, I don't believe I received or reviewed any information at that time related to the costs of providing STS, I think was your question.
169. **MS. VAN IDERSTINE:** It was a little broader than that. It was with respect to the impacts on revenues, other services, and tolls.
170. **MR. REED:** Again, only the information that was contained in the draft of the application.
171. **MS. VAN IDERSTINE:** And did you ask for any additional

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

- information?
172. **MR. REED:** No, I think that provided all that I needed.
173. **MS. VAN IDERSTINE:** Did you review or were you provided any data describing STS tolling and tariff proposals for the next five years, including how STS might fit with other Mainline tolling and tariff proposals either from the Western Mainline or Eastern Triangle?
174. **MR. REED:** I'm sorry; could I have that question again?
175. **MS. VAN IDERSTINE:** Sure. Did you review or were you provided any data describing STS tolling and tariff proposals for the next five years, including how STS might fit with Mainline tolling and tariff proposals to the Western Mainline or Eastern Triangle?
176. **MR. REED:** No, not prior to preparing my direct evidence.
177. **MS. VAN IDERSTINE:** And did you ask for it?
178. **MR. REED:** No.
179. **MS. VAN IDERSTINE:** So fair to conclude that prior to preparing your direct evidence, that when you were retained in this matter TransCanada had more or less developed the proposal contained in the application and you were asked to review that plan?
180. **MR. REED:** It had prepared most of it. I had some input on individual elements of it. I would describe those as refinements. But the bulk of the proposal had been developed before I became involved in the matter.
181. **MS. VAN IDERSTINE:** And you've made a distinction with respect to your initial filed evidence. Since you were retained and filed that, the direct evidence, have you produced or prepared any data or evidence for TransCanada on the impacts on revenues, other services, and tolls?
182. **MR. REED:** Your question was, have I produced or prepared that information?
183. **MS. VAN IDERSTINE:** Yes.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

184. **MR. REED:** No.
185. **MS. VAN IDERSTINE:** Have you reviewed any information relating to the impacts on revenues, other services, and tolls?
186. **MR. REED:** Yes.
187. **MS. VAN IDERSTINE:** And to the extent that you have reviewed it and prepared it, it's contained in your reply evidence?
188. **MR. REED:** No. It is for the most part contained in responses to information requests.
189. **MS. VAN IDERSTINE:** Is it fair to say that you yourself generated no data and performed no analysis of any generated data?
190. **MR. REED:** No. I guess that would depend on your definition of "analysis". I reviewed the data supplied to me by the company with regard to impacts with regard to both revenue and cost shifts with regard to current and projected billing determinants for the service.
191. I ascertained the impact of those with regard to the STS service and the services other than STS. I would describe my analysis as being largely one of review and confirmation as opposed to generating my own independently prepared analysis.
192. **MS. VAN IDERSTINE:** So when you say you reviewed the data, is all the data that you reviewed contained in the evidence filed by TransCanada either through its direct evidence, reply evidence, answers to IRs, or otherwise?
193. **MR. REED:** I recall that there was one IR request to which a claim of privilege was applied. But apart from that, yes.
194. **MS. VAN IDERSTINE:** And that one, would that be a claim of privilege that Centra exerted or one that TransCanada exerted?
195. **MR. REED:** That TransCanada exerted.
196. **MS. VAN IDERSTINE:** Mr. Reed, you would agree that there may

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

be other reasonable alternatives to the tolling proposals put forward by TransCanada in its application?

197.           **MR. REED:** There could be reasonable alternatives to the proposal made here, and TransCanada has in fact offered some next-best or second-best alternatives in the application. And certainly other parties could have put forward other proposals for the individual charges or terms of service.

198.           Largely we don't see that from the evidence of the intervenors, but yes, I think there is a range of reasonable alternatives here. I think the company's proposal is within that range, but there is a range.

199.           **MS. VAN IDERSTINE:** Mr. Reed, you do of course understand that the onus is on the Applicant to put forward proposals when they make an application to a Board for a change in tolling?

200.           **MR. REED:** Without offering a legal opinion, yes, that's my understanding.

201.           **MS. VAN IDERSTINE:** So when you say there are reasonable alternatives that might be available, TransCanada would have been aware of and you would have been aware of some reasonable alternatives before you filed your evidence?

202.           **MR. REED:** That's correct.

203.           **MS. VAN IDERSTINE:** And you chose not to file that evidence?

204.           **MR. REED:** No, that's not correct. There are alternatives proposed in TransCanada's evidence in this proceeding and in mine and discussed in mine.

205.           **MS. VAN IDERSTINE:** Are there proposals that are reasonable proposals that are not in your evidence?

206.           **MR. REED:** As I understand your question, does the range of reasonable alternatives include potential alternatives that are not presented in my evidence? Yes, I think the range is broader than what is presented either in my evidence or in TransCanada's evidence. The company has put forth its proposal, which I think is well within that range, and has put forth some alternatives that are also within that range. But it's not all-encompassing.



**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

207.           **MS. VAN IDERSTINE:** I'd like to turn the Panel's attention to the Mainline revenue and incentive impacts which would apply in 2017 if the application is approved.
208.           In TransCanada's Reply Evidence, TransCanada states that the impact of the changes requested in the application for Mainline revenue in 2017 could be as high as 22 million.
209.           And I don't mind who wants to answer that question but can you confirm that?
210.           **MR. HARRIS:** I can confirm that.
211.           **MS. VAN IDERSTINE:** Thank you, Mr. Harris.
212.           And would you agree that Centra would pay about \$8 million of the \$22 million in total?
213.           **MR. HARRIS:** I think it might be useful to pull that up on the screen if we could pull up ---
214.           **MS. VAN IDERSTINE:** If you'd like.
215.           **MR. HARRIS:** --- the Reply Evidence at page -- I'm not sure the PDF page, but it's paper page 11.
216.           If we could get that up on the screen, I can give you the identification number. It's A79155-2. Adobe page 15, I'm told. Thank you.
217.           **MS. VAN IDERSTINE:** So your answer to that is that you would agree that Centra would pay about 8 million of the \$22 million in 2017?
218.           **MR. HARRIS:** So 8 million, if that is three-quarters is 11 then yes, I would agree with that.
219.           **MS. VAN IDERSTINE:** And in your reply evidence you also state that about 10 percent or 2.2 million of the 22 million would be expected to flow to TransCanada as incentive earnings?

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

220. **MR. HARRIS:** That's correct.
221. **MS. VAN IDERSTINE:** Will the remaining roughly \$20 million go to the long-term adjustment account?
222. **MR. HARRIS:** Yes.
223. **MS. VAN IDERSTINE:** And you'll recall in the RH-001-2014 decision that the NEB agreed with TransCanada's proposal to allocate the LTAA to the Eastern Triangle in 2021, subject to a review of prevailing circumstances when the 2021 tolls are determined.
224. **MR. HARRIS:** That's correct. That was the Board's decision in the RH-001-2014 proceeding.
225. **MS. VAN IDERSTINE:** So Centra would pay about \$8 million in higher STS costs in 2017 under TransCanada's proposal, but unless the Board changes its view on the disposition of the LTAA, not a single penny of that goes to Centra and its ratepayers; is that correct?
226. **MR. HARRIS:** That's correct. I'd like to distinguish, however, that we're discussing now just the period of 2017.
227. **MS. VAN IDERSTINE:** Yes.
228. **MR. HARRIS:** Okay.
229. **MS. VAN IDERSTINE:** Fair enough. It's not -- still not going to Centra and its ratepayers.
230. **MR. HARRIS:** Correct.
231. **MS. VAN IDERSTINE:** I would like to bring up Exhibit -- check to make sure I've got this correctly -- B-14. That's not it, sorry. Yeah, B-14-2, reply evidence of TransCanada, page -- Adobe page 13, which I think should be just right after where you're at. And if you'll see at about line number -- starting at line number 11, with the sentence that starts, "Shippers who claim..."
232. **MR. HARRIS:** I see that.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

233. **MS. VAN IDERSTINE:** So in that sentence, it goes on to state that -- at the conclusion of the sentence, that shippers who've "*enjoyed the benefits of the current arrangement up to this point at the expense of other shippers.*" Now, when you say "up to this point", are you saying that this is an unfair benefit that Centra has had since 1993 when the contract took effect, or are you referring to some other point in time?
234. **MR. HARRIS:** We don't have a date where we feel that the current circumstance became unjust and unreasonable and entailed unjust discrimination, but certainly up until this date, there has been lower tolls to Centra, than would have been the case had they paid for the proposal -- well, STS service as we propose.
235. **MS. VAN IDERSTINE:** So -- but to be clear, that when the contracts were entered into with Centra in or about 1993, it was TransCanada's position at that time that the contracts were just and reasonable, and that STS, as it was currently formulated, was just and reasonable?
236. **MR. HARRIS:** Well, the contract was actually entered into -- well, there was initially a precedent agreement with Centra in 1990 that led to the contract start date in 1993. We don't have any knowledge of the thought process that went into that contract, but I would presume that it was considered just and reasonable by TransCanada at that time.
237. **MS. VAN IDERSTINE:** And TransCanada then went through tolls hearings supporting the STS contracts and tolling in its current form as being just and reasonable?
238. **MR. HARRIS:** That's correct.
239. **MS. VAN IDERSTINE:** Mr. Harris, you've suggested in IRs that perhaps avoidance of long haul facilities expansion may have been a reason that TransCanada entered into the contract with Centra.
240. **MR. HARRIS:** I don't think we said it was the reason we entered into the contract with Centra. Maybe should pull up that IR response.
241. **MS. VAN IDERSTINE:** Sure. That would be at B2, A77195-2, TransCanada response to Centra. That's IR 1.01, just if anybody's looking for it in paper. And if you'll look down, Mr. -- is that the one?

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

242. **MR. HARRIS:** I think we're not quite where -- we're looking for Centra 1.1.

243. **MS. VAN IDERSTINE:** It's on the second page of that. Yes, that's right, and if you look down to the top of the second paragraph:

*"Of the reasons listed, the most plausible consideration at the time is the reduction of long-haul facilities."*

244. Is that what you were looking for?

245. **MR. HARRIS:** Yes. There's a little bit of context before that. So the first paragraph starts by saying,

*"STS contracts were entered into a long time ago and the reasons and circumstances at the time are not documented. Therefore, it would be speculation to address the reasons they were negotiated the way they are."*

246. We go on to say at the beginning of that second paragraph you're referring to that of the reasons listed in the request, it's a plausible consideration ---

247. **MS. VAN IDERSTINE:** No, no. No, no. What you say is:

*"...the most plausible consideration at the time is the reduction in long-haul facilities."*

248. **MR. HARRIS:** I think it's plausible that that was a consideration at the time, yes.

249. **MS. VAN IDERSTINE:** And is it correct that long-haul facilities on the Western Mainline are not utilized to the same degree today as they were 15 or 20 years ago?

250. **MR. HARRIS:** That's correct.

251. **MS. VAN IDERSTINE:** And would you agree that if STS contracts west of storage resulted in TransCanada being able to avoid building long-haul

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

facilities, that may have equated to lower tolls for all shippers in past years, today and even to 2020?

252. **MR. HARRIS:** Yeah, I think that's exactly what we're referring to in this second paragraph, where we say at the beginning of the second sentence,

*"By definition, the choice of providing incremental short-haul, which at the time was counter to the predominant direction of flow, over providing incremental long-haul during a period of growing long-haul, could have reduced the need to add facilities..."*

253. We go on to say that however, that the facilities could have been reduced through the use of any service which was coming up using short-haul, say from Emerson, as opposed to coming further -- excuse me -- as opposed to further supply coming from Empress.

254. **MS. VAN IDERSTINE:** So your answer to my question was that -- to my question, which was that STS contracts west of storage may have resulted in TransCanada being able to avoid building long-haul facilities and that this may have resulted in lower tolls for all shippers in past years including today, and up to 2020.

255. **MR. HARRIS:** I think that that may have been a consideration at the time that these contracts were negotiated. However, if that was a consideration at the time for how to establish these STS contracts, it was applied in a very inconsistent fashion, so ---

256. **MS. VAN IDERSTINE:** Okay, but that ---

257. **MR. HARRIS:** --- we see that the Centra contract has a 4:1 ratio in its injection to withdrawal, and ---

258. **MS. VAN IDERSTINE:** Mr. Harris, I'm not talking about ---

259. **MR. HARRIS:** --- yet WDA ---

260. **MS. VAN IDERSTINE:** --- withdrawals and injections. I'm asking about facilities.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

261.           **MR. YATES:** Mr. Chairman, it's not only proper procedure, but it's polite to allow the witnesses to complete their answers before asking the next question.
262.           **MS. VAN IDERSTINE:** And I would also caution the -- ask the witnesses to respond to the question that was being asked.
263.           **THE CHAIRMAN:** I'll let this go a bit further to see where we get to before making any pronouncements.
264.           **MR. HARRIS:** Perhaps I'll finish and then we'll see if that was helpful.
265.           The point I wanted to make was that if the saving of long-haul facilities, because the STS contract provided flow which was counter to the direction of flow, was a consideration in the past in the establishment of STS service the way we still see it today, that that was applied in a very inconsistent fashion.
266.           For Centra, we see a ratio of 4:1 injection to -- sorry, yeah, 1:4 injection to withdrawal, where in winter, they're paying for 54 TJs and receiving 216 TJs of service in winter. Yet, on the Union WDA, we have about a 10:1 ratio.
267.           We also have the SSMDA and NCDA for Union, which are also upstream storage, which have no injection which they're tolled on, and they do have positive amounts of withdrawal.
268.           And then to make matters more complex, we have the Union NDA, which would also have been considered upstream of storage at that time, but was tolled the same as downstream storage.
269.           **MS. VAN IDERSTINE:** So I understand that you've just set out TransCanada's position on this, but what I've asked you to do is to confirm that the contracts, as you've said, were just and reasonable when they were set out in 1993; is that right?
270.           **MR. HARRIS:** That would be our assumption, yes.
271.           **MS. VAN IDERSTINE:** And you can't tell me -- and you have --

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

that's your evidence when a point TransCanada concluded that those might not be just and reasonable?

272. **MR. HARRIS:** No, I cannot. We -- this service is extremely complex, and it took a substantial amount of time for us to develop what we considered a preliminary view that we then began to discuss with our stakeholders over a period of more than a year, which ultimately was not successful and ended up to the point of filing the application and brings us here today.

273. **MS. VAN IDERSTINE:** And of course this is the first time that you have suggested that the STS tolls are unreasonable.

274. **MR. HARRIS:** Well, we are proposing -- if I could respond maybe slightly differently to the question is that we're proposing changes to the tariff so we see tolling, which we don't consider just and reasonable, and that's the combination of both the toll level and the quantity to which it's applied that we consider unjust and unreasonable.

275. **MS. VAN IDERSTINE:** Going back to the question I started with, Mr. Harris, you would agree that the STS contracts west of storage resulted in TransCanada being able to avoid building long haul facilities and this may have equated to lower tolls in past years; you'd agree with that?

276. **MR. HARRIS:** It's been a moment since you asked the question but it's not possible for us to know exactly what would have happened in the past had Centra, for instance, chosen to contract more supply from Empress as opposed to Emerson.

277. And in addition to that, they may have chosen to supply more from Emerson even in the absence of STS so it's difficult for us to, with hindsight, draw any link between the saving of facilities and the contract that we still see today for Centra.

278. **MS. VAN IDERSTINE:** Mr. Reed, did you do any data analysis on the benefits of the avoided facilities and the cost associated with them?

279. **MR. REED:** No, because I didn't consider that relevant. As you just heard, TransCanada has stated that it's not possible to conclude that STS caused a reduction in facilities in the past. And certainly that view would not be consistent with the Board's approved tolling methodology for the Mainline today which says

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

a haul is a haul, forward haul/backhaul is not a distinction that causes a difference in tolling.

280. **MS. VAN IDERSTINE:** If I can have you turn to Centra's -- to TransCanada's IR 1.05. And it can be found at B7-2, A77195, Adobe pages 13 and 14. And if you look at the bottom of that page, you'll see that Mr. Johannson makes references to two different utilities.

281. Can you confirm that Mr. Johannson's reference to two utilities is in regard to the Western Mainline and Eastern Triangle?

282. **MR. HARRIS:** Maybe I'll start, and Mr. Schultz may want to jump in. But here we see a quote from our Q1 financial results conference call so Mr. Johannson here is speaking to our investors, which is a bit of a different audience than we have here today. So when he's saying "two utilities", I do believe yes, he's referring to segmentation of the system in Western Mainline and Eastern Triangle.

283. **MS. VAN IDERSTINE:** Thank you. And has TransCanada determined whether each Mainline segment will have its own tariff?

284. **MR. HARRIS:** No.

285. **MS. VAN IDERSTINE:** You may recall in Mr. Reed's evidence during the RH-001-2014 hearing he stated that in -- and I'm quoting:

*"In many respects, the utilization of the eastern portion of the Mainline is becoming divorced from the western portion of the system, creating greater differentiation in cost drivers across the system, and different interests in the design of service offerings and tariff provisions."*

286. Would you agree that as early as 2013 TransCanada was contemplating that there would be different services offered on the Western Mainline and Eastern Triangle post-2020?

287. **MR. HARRIS:** I would agree that the concept of segmentation developed around that time sort of began to pick up steam.

288. **MS. VAN IDERSTINE:** And that there would be the potential for



**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

different services being offered on the Western Mainline and Eastern Triangle post-2020?

289.               **MR. HARRIS:** We don't know what's going to happen post-2020 so, you know, service differences possible but certainly possible that there are not substantial service differences or any between the Western Mainline and the Eastern Triangle.

290.               **MS. VAN IDERSTINE:** Have you given any consideration to any distinct services that might be offered between the two utilities to use your -- Mr. Johansson's words?

291.               **MR. HARRIS:** No, I don't believe so.

292.               **MS. VAN IDERSTINE:** During that same conference call, Mr. Johansson uses the phrase that the Western Mainline is to be somewhat more lightly regulated.

293.               Mr. Schultz, can you advise us what TransCanada may have meant by this statement?

294.               **MR. SCHULTZ:** Well, I think what the reference there is just to the fact that we believed we may be adopting a more at-risk environment, as Mr. Johansson has previously indicated. And in that environment you would need the tools to operate within that sort of construct, and those tools would be greater flexibility than what we would normally see under a fully regulated environment.

295.               So I think that's just what he's inferring there. I don't think that this is clearly something that has been approved by the Board or anything else. This is just speculation on his part.

296.               **MS. VAN IDERSTINE:** No, clearly it hasn't been approved by the Board. But is it something that TransCanada is intending to bring forward to the Board with respect to the Western Mainline post-2020?

297.               **MR. SCHULTZ:** I think what we're thinking post-2020 is still very immature and not really well developed, so we can't really comment on what might be included in that. I think just other than, you know, envision that it might be more light-handed regulated or lightly regulated environment we don't really have anything more substantive than that to offer up at this point.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

298.           **MS. VAN IDERSTINE:** So does the phrase “somewhat more lightly regulated” mean the same thing as “light-handed regulation”, as Mr. Reed has defined in his evidence?
299.           **MR. SCHULTZ:** Well, I think they’re somewhat interchangeable in our minds given that we haven’t really defined what would be construed in either of those.
300.           **MS. VAN IDERSTINE:** Another comment made by Mr. Johansson in that telephone call was that TransCanada expects it will have -- and I’m quoting -- “flexibility to make volumes move as we see fit” on the Western Mainline. Can you tell us what TransCanada means by that?
301.           **MR. SCHULTZ:** Well, I can only assume that that’s -- given the -- if you’re provided with additional tools that perhaps you could use different aspects of that to try and incent volumes to move on the system that might not otherwise do so.
302.           **MS. VAN IDERSTINE:** So can you just confirm for me that the Mainline interconnects with a number of other pipelines?
303.           **MR. SCHULTZ:** That is correct.
304.           **MS. VAN IDERSTINE:** Including Great Lakes?
305.           **MR. SCHULTZ:** Yes.
306.           **MS. VAN IDERSTINE:** And that’s owned by or an affiliate of TransCanada?
307.           **MR. SCHULTZ:** That’s correct.
308.           **MS. VAN IDERSTINE:** With NGTL?
309.           **MR. SCHULTZ:** Yes.
310.           **MS. VAN IDERSTINE:** Again owned by or an affiliate of TransCanada?

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

311. **MR. SCHULTZ:** That's correct.
312. **MS. VAN IDERSTINE:** Northern Border via Foothills?
313. **MR. SCHULTZ:** The Mainline does not connect with Northern Border.
314. **MS. VAN IDERSTINE:** Okay. Is there an interconnection that links it to Northern Border via Foothills?
315. **MR. SCHULTZ:** Well, Foothills is a separate pipeline that, yes, connects NGTL to Northern Border.
316. **MS. VAN IDERSTINE:** And TransCanada owns Northern Border?
317. **MR. SCHULTZ:** Yes.
318. **MS. VAN IDERSTINE:** Or an affiliate, it's an affiliate of TransCanada?
319. **MR. SCHULTZ:** That's correct.
320. **MS. VAN IDERSTINE:** And what about Foothills?
321. **MR. SCHULTZ:** Yes, TransCanada owns Foothills.
322. **MS. VAN IDERSTINE:** And the Mainline interconnects with GTN again via Foothills?
323. **MR. SCHULTZ:** On the western section from NGTL through the B.C. component of Foothills Pipelines?
324. **MS. VAN IDERSTINE:** Yes.
325. **MR. SCHULTZ:** Yes.
326. **MS. VAN IDERSTINE:** And that's again another -- is that owned or an affiliate of TransCanada?
327. **MR. SCHULTZ:** That's correct.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

328.           **MS. VAN IDERSTINE:** Iroquois is another that interconnects with the Mainline?
329.           **MR. SCHULTZ:** That's correct.
330.           **MS. VAN IDERSTINE:** And that's owned or is an affiliate of TransCanada?
331.           **MR. SCHULTZ:** It's partially owned by TransCanada.
332.           **MS. VAN IDERSTINE:** And ANR Storage is owned by or affiliated with TransCanada?
333.           **MR. SCHULTZ:** ANR Storage is part of ANR which is an affiliate of TransCanada's, yes.
334.           **MS. VAN IDERSTINE:** And does TransCanada own or operate storage in Alberta?
335.           **MR. SCHULTZ:** Yes, we do.
336.           **MS. VAN IDERSTINE:** And you'd agree that all of Centra's gas supply is transported and stored on TransCanada owned or affiliated companies?
337.           **MR. SCHULTZ:** Well, assuming that that's all-encompassing of all the transactions that you have then I guess that would be true.
338.           **MS. VAN IDERSTINE:** To be absolutely clear, there is a small isolated pocket of about a few hundred residential customers in Swan Valley north of Dauphin that has not interconnected. But I don't want to distract from that. It's not connected to any of the rest of the system.
339.           **MR. SCHULTZ:** I'll take your proposition.
340.           **MS. VAN IDERSTINE:** And Centra has no storage in Manitoba nor does it own any storage facilities? You're aware of that?
341.           **MR. SCHULTZ:** That's my understanding, yes.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

342. **MS. VAN IDERSTINE:** And would you agree that the fact that all of Centra's gas is transported or stored on TransCanada owned or affiliated companies allows TransCanada to influence the economics of Centra's gas transportation and storage contracting choices?
343. **MR. SCHULTZ:** I guess I'm not sure what you mean when you say "influence". I think if you're contracting for services provided by those entities you would be paying those entities for the service that you're receiving.
344. **MS. VAN IDERSTINE:** But given that they're all with TransCanada, TransCanada can make choices internally that would influence the way that Centra might contract? Isn't that correct?
345. **MR. SCHULTZ:** Well, I think the entities that you've described operate independently. They don't have joint kind of control. We don't strategize them as a way to manipulate anything to one party's benefit or a loss. Each entity is regulated subject to their own regulatory oversight. So I don't think there's any kind of grand plan to affect Centra in any way.
346. **MS. VAN IDERSTINE:** On the conference call that we've just been commenting about, Mr. Johansson suggests that being able to make volumes on the Mainline move, as using again his language, "TransCanada sees fit". When he uses that language, did he mean modifying the Western Mainline tolls and services to influence how a captive shipper like TransCanada would service the Mainline?
347. **MR. SCHULTZ:** I guess I didn't discuss this specific phrasing with him either before or after the call so I can only speculate. But I would assume again that the presumption is if you're offering services that will encourage additional volumes on the system, that that would be something that he was envisioning at that point.
348. **MS. VAN IDERSTINE:** Are the changes to the STS tolls being requested the first in a series of changes that are being contemplated by TransCanada?
349. **MR. SCHULTZ:** I don't think we have a plan of a series of changes, no.
350. **MS. VAN IDERSTINE:** Can you turn to TransCanada's Information

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

Request to Centra, which is found at B10-2, A78616-2, Adobe page 2. And if you could go all the way over to -- it's actually item (k) on that IR.

351. Do you have the question there? In that question you state that if Centra consented, TransCanada could produce information requested in parts (d) through (j) of this IR.

352. Now first of all, is that the information, Mr. Reed, that you said that you had reviewed?

353. **MR. REED:** I'm sorry; could we shrink this so I can see the rest of this question? And your question relates to (g)? Was that the question?

354. **MS. VAN IDERSTINE:** (k).

355. **MR. REED:** (k).

356. **MS. VAN IDERSTINE:** When you said that -- the question is that TransCanada said they could produce the information requested in parts (d) through (j) of the IR if Centra consented. And I'm asking you if that's the information that you reviewed?

357. **MR. REED:** I'm not sure. I don't believe so. I guess the way to answer is this is unless this information was provided later in a response to an IR, then the answer is no.

358. **MS. VAN IDERSTINE:** To Mr. Schultz or Mr. Harris, you'd agree that this information not only relates to Centra's use of its STS contract but also its use of ANR Storage in Michigan? Is that correct? If you look up to question (f), part (f) of that, it might be helpful.

359. **MR. HARRIS:** Question (k) refers to parts (d) through (j) and just with a quick skim I think I can agree with your characterization.

360. **MS. VAN IDERSTINE:** And part (f) relates to Centra's physical storage injections and withdrawals and physical storage balances; you'd agree with that?

361. **MR. HARRIS:** That's correct.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

362. **MS. VAN IDERSTINE:** Does that mean that TransCanada's Mainline staff have access to this non-public shipper-specific information that's held by its affiliates?
363. **MR. HARRIS:** Certainly some TransCanada staff may have access to some of this information in another part of the corporation. We did not have access to this information at the Mainline and so we requested it to put it on the record of this proceeding.
364. **MS. VAN IDERSTINE:** Can you tell me or undertake to tell me which of TransCanada's staff managers and executive who worked on behalf of the Mainline would have access to that non-public shipper-specific information from Great Lakes and ANR?
365. **MR. SCHULTZ:** I don't think any of us do that work on the Mainline. I don't have any access to any shipper-specific information that's not posted on their public websites.
366. **MS. VAN IDERSTINE:** And Mr. Mark Cooper is a spokesperson for TransCanada?
367. **MR. HARRIS:** That's correct.
368. **MS. VAN IDERSTINE:** I understand that TransCanada is marketing a long-term fixed-price service from Empress to Dawn?
369. **MR. HARRIS:** That's correct.
370. **MS. VAN IDERSTINE:** And that you may be initiating an open season in relation to that service as early as this month, that is September 2016?
371. **MR. HARRIS:** That's correct.
372. **MS. VAN IDERSTINE:** So can you tell us when this month that you'll be initiating that open season?
373. **MR. HARRIS:** I think the key work in your question was "as early as this month". I don't think we have chosen a date or time to issue that open season. We're still in consideration of that entire service offering.

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

374. **MS. VAN IDERSTINE:** I take it from your answer it is possible that that might happen this month.
375. **MR. SCHULTZ:** Yeah, it's possible.
376. **MS. VAN IDERSTINE:** And is it correct that the anticipating pricing would be discounted transportation relative to their current Empress to Dawn toll by something in the range of 40 to 50 percent?
377. **MR. SCHULTZ:** It's in the order or magnitude of the rate that we're proposing for that service. It's a different service than FT. To compare it against alternatives currently available, that's what the reference of the comparative was in terms of comparing it to the current FT rate and/or using FT service to contract independently with Great Lakes in ---
378. **MS. VAN IDERSTINE:** Well, the reason I'm asking ---
379. **MR. SCHULTZ:** --- fashion.
380. **MS. VAN IDERSTINE:** Sorry. The reason I was asking it in that frame of mind is that the quote from the article, which appears to be at least attributable to Mr. Mark Cooper, although it's not in quotes -- and that's at the NEB's IT 3.1 to TransCanada. And that can be found at B13-1, A78988-1.
381. The quote is -- from the article is:
- "The company is discussing the potential for new 10-year transportation contracts from Alberta to Ontario that would cost 40 to 50 percent less than a current comparable toll, Mark Cooper, a spokesman for the Calgary-based company, said Thursday by phone"*
382. So is 40 to 50 percent correct?
383. **MR. SCHULTZ:** Again, yes, it's -- as compared to the current FT toll, yes.
384. **MS. VAN IDERSTINE:** And you're looking for the term of service being 10 years?



**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

385. **MR. SCHULTZ:** That's correct.
386. **MS. VAN IDERSTINE:** And would that service have diversion rights?
387. **MR. SCHULTZ:** No, it would not.
388. **MS. VAN IDERSTINE:** Could that be -- capacity be assigned?
389. **MR. SCHULTZ:** I don't know. I believe it probably would be assignable.
390. **MS. VAN IDERSTINE:** And would the abandonment surcharge be paid by these shippers?
391. **MR. SCHULTZ:** It would be part of the rate proposed, yes.
392. **MS. VAN IDERSTINE:** Can you generally describe how this service will have different attributes than the standard FT?
393. **MR. SCHULTZ:** Well, as proposed, it's basically a point-to-point service; you would contract from Empress to Dawn. There would none of the normal mitigation tools like diversions or alternate receipt points or anything of that nature associated with it. So it would be a 10-year fixed rate over the 10-year term and basically just a point-to-point service ---
394. **MS. VAN IDERSTINE:** Can you ---
395. **MR. SCHULTZ:** --- and then flexibility.
396. **MS. VAN IDERSTINE:** Can you tell us what costing methods you were using to arrive at this lower toll?
397. **MR. SCHULTZ:** At this stage we're looking at a rate that we think would attract volumes that we might not otherwise get. So it's not being predicated on a cost-of-service type analysis but more on a "what would it take to generate interest in moving volumes that would not otherwise move on the system?" with the belief being that that would be to the benefit of all shippers.
398. **MS. VAN IDERSTINE:** So is it fair to say that what you're

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

proposing is a significant toll discount for the Empress to Dawn path relative to standard FT that may be subscribed by any other shipper?

399.           **MR. SCHULTZ:** It would be a unique service and different service but yes, it would have a toll associated with it that would be less than if a shipper wanted to take FT service between those two points and get FT service which would come with different attributes.

400.           **MS. VAN IDERSTINE:** So this would be a non-standard service?

401.           **MR. SCHULTZ:** I think it would be proposed as a standard service once it was proposed. It -- it's basically -- it's something that we're contemplating now. I think largely what's -- what you're seeing in terms of these articles and some of the discussions that we're having with industry is just trying to understand if we can generate interest in the service.

402.           We basically aren't -- you know, we were saying that the producers have told us in the Western Canadian Basin that they're looking for -- to continue to service markets that are accessible through the interconnecting pipelines and we're trying to find a service that can meet that need at a rate that they're prepared to pay.

403.           But ultimately I think the service is still in its formulative stages. Ultimately we will need to decide if we even have subscription; we don't at this stage have anybody who's yet to sign a contract or anything else of that nature so at this point it's just blue skying and it may or may not ever materialize into anything substantive.

404.           **MS. VAN IDERSTINE:** Now, it would be a long-haul service, though?

405.           **MR. SCHULTZ:** Yes.

406.           **MS. VAN IDERSTINE:** And we've heard Mr. Reed say as recently as this morning that the phrase -- using the phrase "haul is a haul"; do you recall that?

407.           **MR. SCHULTZ:** I recall him saying that, yes.

408.           **MS. VAN IDERSTINE:** And when it's -- and that phrase means that

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

gas flowing over the same path should pay the same toll, doesn't it? And that's how you've utilized it in this application?

409.               **MR. REED:** That's not how I've used -- utilized it in this application or in my evidence. It depends on the nature of service, not just the same path.

410.               **MS. VAN IDERSTINE:** Mr. Harris or Mr. Schultz, if the Empress to Dawn long-term fixed-price service open season is successful, would this require a TBO on Great Lakes?

411.               **MR. SCHULTZ:** That's what we envision, yes.

412.               **MS. VAN IDERSTINE:** And you'd agree that Great Lakes capacity is roughly 2 Bcf per day?

413.               **MR. SCHULTZ:** I think it's in that order of magnitude. I don't think that amount of capacity is available for contracting at this time but that's the total capacity, I believe.

414.               **MS. VAN IDERSTINE:** And from what's reported, again in the media, you're hoping that you might be able to subscribe that up to 2 bcf per day of long-term fixed-price service?

415.               **MR. SCHULTZ:** Yeah, I think that's the upper boundary of what we've been looking at. I don't know -- like I say, we've yet to get any volume subscription but that would be the upper end of what we've been talking to industry about.

416.               **MS. VAN IDERSTINE:** Would there be a maximum daily volume you'd entertain?

417.               **MR. SCHULTZ:** That's what we were looking at, yes.

418.               **MS. VAN IDERSTINE:** And is it possible that the size of the TBO you may be looking for could result in Great Lakes' capacity becoming sold out from Emerson, that is from west to east?

419.               **MR. SCHULTZ:** That's possible, that we -- if we had sufficient subscription that we would take all available service that they have. They would have to offer it up through an open season and we would bid into it. And if that

**TransCanada PipeLines Limited**  
**Examination by Ms. Van Iderstine**

was the case, if we were the successful bidder, then we would be looking to contract what we could to match our needs.

420. **MS. VAN IDERSTINE:** Could we have -- Mr. Reed, could you look at question 34 of your evidence which can be found at B1-2, A75561-2?

421. **MR. REED:** This is on Adobe page 18, I believe?

422. **MS. VAN IDERSTINE:** It's actually on Adobe page 21, I think.

423. **MR. REED:** Yes, I'm sorry, paper page 18, right. I have that.

424. **MS. VAN IDERSTINE:** Do you see the question:

*"Why do you believe that TransCanada's STS tolling proposal is consistent with the Board's cost-based/user-pay tolling principle?"*

425. Do you see that question?

426. **MR. REED:** I do.

427. **MS. VAN IDERSTINE:** Did you formulate that question or did TransCanada?

428. **MR. REED:** I did.

429. **MS. VAN IDERSTINE:** If I can just take you back to a question I'd asked you earlier and I started off by asking you if -- it was with respect to who had access to non-public shipper-specific information from Great Lakes and ANR.

430. Would you give an undertaking to which TransCanada staff managers and executives might have that, or confirm more formally that none have, as I think your evidence was a little bit uncertain? You said you don't but you weren't certain beyond that.

431. **MR. SCHULTZ:** Again, I don't think we have access to Great Lakes or ANR contracts that aren't already in the public domain; that information isn't shared between us. Basically, we only share information that is readily available

in the public otherwise.

432.           **MS. VAN IDERSTINE:** I would like you to check, though, whether any other Mainline employees have that -- access to that information.

433.           **MR. SCHULTZ:** Can you confirm?

434.           **MR. YATES:** Sorry, Mr. Chairman, I'm not following what goes on here or what has been going on here. The question appeared to be, "Do you have access to this information?" The response was clear; we don't have access to that information.

435.           Now the question is, "Will you check to see who has access to the information?" which, it would seem to me, that that's not an undertaking that should be provided because the answer has been provided to the question. The answer was, we don't have access to that information.

436.           **MS. VAN IDERSTINE:** Sorry, and that was -- and I'm not second-guessing Mr. Yates but, just to confirm, you're saying that none of the Mainline staff has access to that information?

437.           **MR. SCHULTZ:** That's correct. We don't need it, and we don't seek it, and they don't provide it.

438.           **MS. VAN IDERSTINE:** Thank you.

439.           If I might just have a minute, I think I'm done.

440.           **THE CHAIRMAN:** Certainly.

--- (A short pause/Courte pause)

441.           **MS. VAN IDERSTINE:** Thank you. Those are my questions.

442.           **THE CHAIRMAN:** Thank you, Ms. Iderstine.

443.           I notice it's 10:20 on whichever clock I'm looking at. We'll take a 20-minute break at this time.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

--- Upon recessing at 10:20 a.m./L'audience est suspendue à 10h20

--- Upon resuming at 10:40 a.m./L'audience est reprise à 10h40

**MATTHEW WHARTON: Resumed, Sous le même serment**

**GRANT KUNTZ: Resumed, Sous le même serment**

**JOHN J. REED: Resumed, Sous le même serment**

**ALEX HARRIS: Resumed, Sous le même serment**

**DAVE SCHULTZ: Resumed, Sous le même serment**

444. **MR. LANGEN:** Thank you, Mr. Chairman.

**--- EXAMINATION BY/ INTERROGATOIRE PAR MR. LANGEN:**

445. **MR. LANGEN:** Mr. Schultz, as a matter of policy, what does the term "equitable" mean to TransCanada?

446. **MR. SCHULTZ:** Well, I don't think we have a formal definition but I would say that it's basically to treat similar circumstances fairly and, you know, the same.

447. **MR. LANGEN:** So you're saying for TransCanada to be equitable it's supposed to treat similarly situated shippers the same; is that correct?

448. **MR. SCHULTZ:** I believe so, yes.

449. **MR. LANGEN:** And should shippers individually be treated equitably by TransCanada in TransCanada's dealings with them?

450. **MR. SCHULTZ:** I believe so, yes.

451. **MR. LANGEN:** And do you agree that those seeking equity should themselves act equitably?

452. **MR. SCHULTZ:** Well, again I guess it's something mostly you would expect that people would sort of have the same perspectives either direction.

453. **MR. LANGEN:** Again as a matter of policy, what does the term "transparency" mean to TransCanada?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

454.           **MR. SCHULTZ:** It's maybe a term that I'm not sure is with respect to policy but I think basically it's just the ability to sort of -- as it pertains to this, to understand how parties are being treated and for it to be observable and/or known to all participants.
455.           **MR. LANGEN:** Can we agree that STS is intended to incent contracting long-haul FT?
456.           **MR. HARRIS:** I don't think we would agree that that is the intention of STS. From our perspective, the intention of STS is a companion service to long-haul FT because you use STS objection to go from the market that long-haul FT serves to the storage location and you use the STS withdrawal to come from that storage location back to that same market. So I would not agree that the purpose or the intent of it is to incent long-haul FT.
457.           **MR. LANGEN:** Would you agree that it's one of the purposes?
458.           **MR. HARRIS:** I don't know that I would accept that either. I believe that because it provides a companion to long-haul FT a shipper may value that to the extent that it does incent them to contract for more long-haul FT. And that would remain the case with our proposal. The -- or sorry, with our proposal.
459.           The service as it stands today clearly has not incented long-haul FT to the extent that we have not seen a reduction in long-haul FT in relation to short-haul STS, or short-haul FT.
460.           **MR. LANGEN:** And if it was to incent long-haul FT does TransCanada know what shippers want to incent long-haul FT?
461.           **MR. HARRIS:** The premise of your question was if it was to incent long-haul FT. And I've tried to be clear that that is not our intention with STS, although it may have that side effect that as a companion service to long-haul FT that if shippers value that then to the extent that they value that then it would incent them to hold more long-haul FT than they may otherwise hold.
462.           **MR. LANGEN:** Okay, fair, Mr. Harris. But my point is you just indicated that shippers would know whether it incents them, the value that it brings to them. And my point is simply this: TransCanada does not purchase long-haul FT system, does it? It's not a shipper, correct?

463. **MR. HARRIS:** That's correct.
464. **MR. LANGEN:** So shippers are in the best position to know what they value and what will incent them to contract for long-haul FT, correct?
465. **MR. HARRIS:** That's absolutely true, yes.
466. **MR. LANGEN:** You would agree that STS provides a mechanism whereby long-haul FT shippers can maintain a high load factor?
467. **MR. HARRIS:** That's correct because STS is a companion service to long-haul FT it allows you during those valley periods of the demand at the market to redirect the long-haul FT to the storage location which has the effect of increasing the utilization rate of the long-haul FT contract.
468. **MR. LANGEN:** And those periods occur daily, correct?
469. **MR. HARRIS:** I'm not sure what you mean by "those periods".
470. **MR. LANGEN:** The periods when a shipper may need to mitigate its -- or increase its load factor. It happens daily, they make those decisions daily.
471. **MR. HARRIS:** I would agree that, well, you can measure load factor over any time period. And a day would be a reasonable time period, yes.
472. **MR. LANGEN:** So it helps them deal with daily fluctuations and market demand, correct, STS does?
473. **MR. HARRIS:** I think the part we were just talking about, the redirection of transportation from the market location to the storage location, we would deem that to be seasonal balancing. So that is the use in summer to inject into storage and the use in winter to withdraw from storage.
474. We do discuss in our evidence as well daily balancing. And when we refer to daily balancing being a feature of STS service what we're referring is the eight nomination windows that STS provides.
475. **MR. LANGEN:** Mr. Harris, I find it quite funny how that wasn't in your evidence and it's just arisen today. But in any event, when a shipper wants to maintain long-haul FT load factors they have to do that all year long, right?



**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

Like, it's not seasonal. If they're attempting to maintain their load factors at a high level that can happen all year long, correct?

476. **MR. HARRIS:** I would agree with that.

477. **MR. LANGEN:** Firm service is the most reliable service on the Mainline, correct?

478. **MR. HARRIS:** Firm service is the highest priority service on our system. There are a number of services which you could characterize as firm as being the highest priority services on our system.

479. For example, FT service, STS service for the injection in the summer season, and the withdrawal in the winter season, FT-NR. So I just want to be clear that when I agree with your statement that there is a certain basket of services that we refer to as firm transportation.

480. **MR. LANGEN:** So did you agree with my statement?

481. **MR. HARRIS:** I believe your statement was firm transportation is the most reliable and I would agree that on a day that is the most reliable service.

482. **MR. LANGEN:** So firm STS injections and withdrawals provide STS shippers with the highest level of reliability available, correct?

483. **MR. HARRIS:** During the season in which they are firm, that's correct.

484. **MR. LANGEN:** And so it follows that the most reliable means to maintain a high load factor of long-haul FT contracts using STS is when STS is firm, correct?

485. **MR. HARRIS:** Would you repeat the question please, Mr. Langen?

486. **MR. LANGEN:** It follows that the most reliable way for long-haul FT shippers to maintain a high load factor when they use STS is when STS is firm, correct?

487. **MR. HARRIS:** That's correct. So in the summer period for injection you have a firm rate to move from the market to the storage location. There is

- also diversions available which are highly reliable and have not been cut to any great extent in the recent past that can also be used to get from the market to the storage location or any other location. But I would agree with you that only firm is firm.
488. **MR. SCHULTZ:** Maybe I'll just add to that.
489. So again, reliability is a measure of how frequent the service is available versus when it's requested. And I think one of the things that we did provide evidence on was that the diversions to the storage injection locations has basically been 100 percent reliable through the period that we provided the data.
490. So I think that having the higher priority is more of a protection against a circumstance that might arise. But based on the data that we provided that circumstance hasn't actually occurred where being firm would have actually allowed an injection known to occur that would not have otherwise been allowed via a diversion.
491. **MR. LANGEN:** Thank you for that, Mr. Schultz. But we can agree that diversions are a lower priority than FT, correct?
492. **MR. SCHULTZ:** That's correct.
493. **MR. LANGEN:** The ability to inject and withdraw ST contract demand volumes to and from a storage location is an attribute of STS and not FT service, correct?
494. **MR. HARRIS:** Yes. However, you could recreate what you can do with STS service with firm transportation. If you wanted to be firm all year from the market to storage, you could have FT over that path. And if you wanted to be firm all year from the storage location to the market, you could have FT on that path.
495. **MR. LANGEN:** The priority of STS injections and withdrawals is also an attribute of STS and not FT service, correct?
496. **MR. HARRIS:** Given that FT service does not have STS injections, I would agree with that.
497. **MR. LANGEN:** The application doesn't propose to change how STS

- tolls are calculated; is that correct?
498.               **MR. HARRIS:** Mr. Kuntz may want to jump in but I believe that's correct.
499.               **MR. LANGEN:** And TransCanada's position is that STS withdrawal quantities displace firm Mainline capacity and for this reason TransCanada reserves capacity to permit STS shippers to withdraw on a firm basis from their storage location; is that correct?
500.               **MR. HARRIS:** It's correct that we do reserve capacity in order to provide firm transportation be it FT or the STS withdrawal.
501.               **MR. LANGEN:** And for this reason the STS toll is set at the FT toll or demand charge, correct?
502.               **MR. HARRIS:** The STS toll is proposed to be set at the toll that would apply to short-haul firm service over the same path from storage to withdrawal as we calculate our STS tolls today. Our proposal applies that toll to the withdrawal quantity for 12 months of the year.
503.               **MR. LANGEN:** And notwithstanding that the FT toll on the short-haul path that the STS withdrawals are following are the same, that FT and the STS are distinctly different services, correct?
504.               **MR. HARRIS:** That's true. But both services have attributes that the other service does not have.
505.               **MR. LANGEN:** And STS volumes have the same impact on Mainline system flows and are served in the same fashion as FT volumes, correct?
506.               **MR. HARRIS:** That's a difficult one to answer. I'm picturing too many paths in my mind at the same time. STS service is firm from the market to the storage location in summer and from the storage location to the market in winter. FT is firm on whatever path you contact it on for 12 months.
507.               **MR. LANGEN:** Okay, let me rephrase it for you. STS volumes, withdrawal volumes, have the same impact on the Mainline system flows and are served in the same fashion as FT volumes?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

508.           **MR. HARRIS:** During the firm period in winter for STS service, the impact on capacity is the same for STS withdrawal and FT over the same path as the STS services contracted for withdrawal.
509.           **MR. LANGEN:** So I'll ask my question one more time because I don't think I got a yes or a no.
510.           STS volumes have the same impact on Mainline system flows and are served in the same fashion as FT volumes, correct?
511.           **MR. HARRIS:** The technical answer -- the one-word answer would be no, the reason being that STS is a seasonal service and FT is not.
512.           **MR. LANGEN:** Gentlemen, do you have the aids to cross that I provided your counsel yesterday? And more particularly, do you have the cross that's the excerpt from the RH-001-2011 decision?
513.           **MR. HARRIS:** Which decision, Mr. Langen?
514.           **MR. LANGEN:** Sorry, RH-003-2011. I apologize.
515.           **MR. HARRIS:** Yes, we have that excerpt.
516.           **MR. LANGEN:** And I apologize, Ms. Comte; I don't have the Adobe page numbers for the document that I gave you. I only have the hard copies.
517.           So you have that document and you agree that it's an excerpt from the RH-003-2011 Blue Book decision dated March 2013?
518.           **MR. HARRIS:** Yes.
519.           **MR. LANGEN:** Okay. And if we go to hard copy page 115. And actually, before we do that, if you go to 114 it's titled "7.9 Distance of Haul for STS and STS-Linked". And that's where the Board's discussing, in the submissions made, with respect to STS and STS-Linked.
520.           And if we go to the next page, 115, I'll direct you to the second paragraph of that page. And then if you let me know once you have it ---
521.           **MR. HARRIS:** We're ready.

522. **MR. LANGEN:** Okay. And that paragraph starts with:

*“TransCanada submitted that the distances calculated according to its proposal are more reflective of the actual distance travelled, which is appropriate since STS and STS-L flows have the same impact on system flows, and are served in the same fashion at any point in time, as FT transportation.”*

523. Do you agree that’s what it says there?

524. **MR. HARRIS:** Yes.

525. **MR. LANGEN:** And so that was TransCanada’s evidence in the RH-003-2011 decision?

526. **MR. HARRIS:** That’s correct.

527. **MR. LANGEN:** And if you go to the bottom of that page, you’ll see -- I won’t read it in, but you would agree that the Board agreed with that, and as a result the FT toll on a short-haul path was applied to STS, agreed?

528. **MR. HARRIS:** Agreed.

529. **MR. LANGEN:** So STS volumes have the same impact on Mainline system flows and are served in the same fashion as FT volumes, correct?

530. **MR. HARRIS:** I think if we were to dissect that a little further, the STS service has often the same path as FT service, although the STS service may be firm in one direction part of the year and in the other direction the other part of the year.

531. And so I think that if we were to have broken this down a little further, we would have said it’s firm over the same path but it’s firm in one direction part of the year and firm in the other direction in the other part of the year.

532. **MR. LANGEN:** So Mr. Harris, are you saying then that TransCanada’s view has changed then to what it submitted to the NEB in RH-003-2011?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

533.           **MR. HARRIS:** No, I'm saying that what we have here is probably a sentence that is correct, that if you were to break it out into two sentences you would get the clarification I'm providing now.
534.           **MR. LANGEN:** Okay. Mr. Chairman, I don't propose to enter that as an exhibit unless you want me to. Okay.
535.           The STS shipper is paying the same toll that otherwise could be recovered from an FT contract on the same path on its withdrawal path, correct?
536.           **MR. HARRIS:** That's correct.
537.           **MR. LANGEN:** STS is companion service to long-haul FT?
538.           **MR. HARRIS:** That's correct.
539.           **MR. LANGEN:** And currently under STS, a shipper cannot build an STS withdrawal balance by simply contracting for long-haul FT, correct?
540.           **MR. HARRIS:** That's correct. The STS balance comes with STS service, not with a long-haul FT contract alone.
541.           **MR. LANGEN:** And this won't change if the application is approved, correct?
542.           **MR. HARRIS:** That's correct.
543.           **MR. LANGEN:** And currently a shipper cannot use any accumulated STS withdrawal balance if it does hold both a companion long-haul FT contract and an STS contract, correct?
544.           **MR. HARRIS:** I'm afraid I need to ask you to restate the question for me or re-ask the question; I missed the beginning.
545.           **MR. LANGEN:** Currently a shipper cannot use any accumulated STS withdrawal balance if it does not hold both a companion long-haul FT contract and an STS contract?
546.           **MR. HARRIS:** That's not correct. The STS service, the way it's currently designed, is as you said as a companion service to long-haul FT. So

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

- there's no dispute as to the fact that STS is intended to be a companion service to long-haul FT because it was stated in our evidence and Centra's, and Enbridge's, and Union's.
547.           The way that that works to fill a storage balance is that when you inject off of your long-haul FT you add to the storage balance, and when you withdraw using STS withdrawal you deplete that balance.
548.           The problem that we have today is that you can inject into storage or sorry, to the storage location because you can have STS injections which are simply transport from the market to the storage location that aren't actually going into storage. We know that -- we can go there on the record.
549.           **MR. LANGEN:** Mr. Harris, Mr. Harris, you're not answering my question, with respect. If an STS shipper -- if a shipper has an STS balance, it cannot use that balance if it doesn't have a long-haul FT contract, correct? Yes or no?
550.           **MR. HARRIS:** I was getting there, Mr. Langen. The STS service as it stands today does allow for the use of STS without holding an appropriate amount of long-haul FT.
551.           **MR. LANGEN:** Okay, let me reframe it then, fair, fair. An STS shipper cannot withdraw under STS if it doesn't hold a long-haul FT contract in combination with that STS contract, correct?
552.           **MR. HARRIS:** An STS shipper could hold as little as one GJ of long-haul FT and retain their STS contract and continue to use STS withdrawal depleting a large STS balance over as many as we've seen 12 years or more and, therefore, use STS not as a companion service to long-haul FT but in fact on its own.
553.           **MR. LANGEN:** So is that a "yes", Mr. Harris? One gigajoule, 500 gigajoules, it's a yes, correct?
554.           **MR. HARRIS:** Yes. Actually, one second. I'm thinking it might be a "no". I need to get you to ask the question again because I'm not sure whether there was a twist in it or not because ---
555.           **MR. LANGEN:** Let me reframe it this way.

556. **MR. HARRIS:** Thank you.
557. **MR. LANGEN:** Okay. If I don't hold an STS contract, I cannot withdraw from storage using STS, correct?
558. **MR. HARRIS:** That's correct.
559. **MR. LANGEN:** And if I do not hold a long-haul FT contract, I cannot hold an STS contract, correct?
560. **MR. HARRIS:** That's correct, although the FT contract for long-haul could be as low as one GJ with our current tariffs.
561. **MR. LANGEN:** Yeah, we understand that, sir; that's your evidence. You've said it several times.
562. Currently if an STS shipper continues to hold long-haul FT and an STS contract, it's STS balance will continue to accumulate for future use, correct?
563. **MR. HARRIS:** Holding long-haul FT on its own does not result in an STS balance. It is the injection of long-haul FT through STS injection that develops or grows an STS balance which can be then used for STS withdrawal without the application of an excess withdrawal fee.
564. **MR. LANGEN:** I think we're ships passing in the night, Mr. Harris. If an STS shipper continues to hold long-haul FT and an STS contract, its STS balance will continue to accumulate for future use as it injects, correct?
565. **MR. HARRIS:** As it injects, correct.
566. **MR. LANGEN:** Okay. And this does not change subject only to the proposal to cap that balance if the application is approved, correct?
567. **MR. HARRIS:** That's correct.
568. **MR. LANGEN:** And currently, if an STS shipper renews its STS contract, it's accumulated STS withdrawal balance is unaffected and remains the same, correct?



569. **MR. HARRIS:** That's correct.
570. **MR. LANGEN:** And this will not change if the application is approved, correct?
571. **MR. HARRIS:** Past the point of implementation when we have capped balances, that's correct.
572. **MR. LANGEN:** Okay. And when the balances are capped, if I don't inject any more that capped balance will continue on so long as I renew, correct?
573. **MR. HARRIS:** That's correct. The act of renewing an STS contract does not change the STS balance.
574. **MR. LANGEN:** And currently if an STS shipper terminates or does not renew its STS contract, its STS withdrawal balance is terminated?
575. **MR. HARRIS:** I believe that's the case, although I do not believe that's something we've seen on the system recently. I believe that would be the case, yes.
576. **MR. LANGEN:** And if the application is approved that does not change, correct?
577. **MR. HARRIS:** That's correct.
578. **MR. LANGEN:** And currently if an STS shipper terminates or does not renew its STS contract, its ability to inject into storage on a firm basis ends, correct?
579. **MR. HARRIS:** That flows logically from needing an FT contract for the purpose of making an injection.
580. **MR. LANGEN:** So that's a "yes"?
581. **MR. HARRIS:** That's more than a "yes". That's a "you bet".
582. **MR. LANGEN:** And that doesn't change if the application is approved?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

583.           **MR. HARRIS:** Mr. Reed is helping me here in that to be clear, you can inject into storage. Maybe the distinction here is between an STS injection being transport using STS service from the market point to storage to the storage location, and the distinction from that to actually delivering to storage and injecting into storage.
584.           So there is a difference between those two things. When I said, “No, they could not do that any further” I meant that they could not use STS service to transport to the storage location.
585.           **MR. LANGEN:** That’s fair. And that doesn’t change with the approval of this application?
586.           **MR. HARRIS:** That’s correct.
587.           **MR. LANGEN:** We can agree that currently an STS shipper that withdraws from storage any STS volume will pay, along with any other applicable toll, a fuel charge and an abandonment charge, correct?
588.           **MR. HARRIS:** That’s correct.
589.           **MR. LANGEN:** And this won’t change if the application is approved, correct?
590.           **MR. HARRIS:** That’s correct, although I look to Mr. Kuntz whose responsibility that is to confirm.
591.           **MR. KUNTZ:** I confirm, yeah.
592.           **MR. LANGEN:** And for ease of the discussion we’ve about to have, can we agree that the fuel charges and abandonment charges are -- I’ll just refer to them as “variable charges”? It saves me having to say “fuel and abandonment charges” every time I ask the question.
593.           **MR. KUNTZ:** So, Mr. Langen, the abandonment charge is a demand charge and the fuel is a commodity-based charge.
594.           **MR. LANGEN:** Okay. Can we just agree to call them the “other charges”?

595. **MR. KUNTZ:** Sure.

596. **MR. LANGEN:** Thank you. And currently if an STS shipper having an STS withdrawal balance withdraws from storage a volume that is less than its contracted STS withdrawal volume and less than its STS withdrawal balance it pays the STS demand charge along with the other charges, correct?

597. **MR. KUNTZ:** That is correct.

598. **MR. LANGEN:** And currently if an STS shipper having an STS withdrawal balance withdraws from storage a volume that is less than its contracted STS withdrawal quantity and more than its STS withdrawal balance it pays the STS demand charge in its entirety? The excess withdrawal fee on the volume that is in excess of its STS withdrawal balance and the other charges?

599. **MR. KUNTZ:** That is also correct, yeah.

600. **MR. LANGEN:** And that's not going to change if the application is approved, correct?

601. **MR. KUNTZ:** That's correct.

602. **MR. LANGEN:** And currently if an STS shipper having an STS withdrawal balance withdraws from storage a volume that is more than its contracted STS withdrawal quantity and less than its STS withdrawal balance it pays the STS demand charge for the volume equivalent to its withdrawal quantity, the STS overrun volume on the excess withdrawal quantity, and the other charges, correct?

603. **MR. KUNTZ:** Yes, that is correct.

604. **MR. LANGEN:** And that won't change if the application is approved, correct?

605. **MR. KUNTZ:** As part of the application, one of the proposed amendments that we have is to change the premium for the overrun charge to be at 25 percent of what the equivalent STS toll is. So although it would continue that a shipper could do the example that you had provided, there would be an additional charge for the overrun portion.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

606.           **MR. LANGEN:** Thank you, Mr. Kuntz, for that clarity. But they would pay whatever the STS overrun charge is whether it be the one that's approved here, correct?
607.           **MR. KUNTZ:** That is correct.
608.           **MR. LANGEN:** Okay, thank you.
609.           TransCanada is proposing to establish a link between the STS injection withdrawal quantity and that proposed link is to be, if it's approved, the lesser of the aggregate long-haul FT contract demand of the STS shipper to their market or 71 percent of the STS withdrawal quantity contract demand. And in your evidence, as an alternate, you -- to the 71 percent ratio you identified a 1:1 ratio, correct?
610.           **MR. KUNTZ:** That was provided as a second best option, yes.
611.           **MR. LANGEN:** Okay. And that 1:1 ratio lacks any seasonal influence, correct?
612.           **MR. KUNTZ:** I'd say it's not consistent with the seasonal nature of STS. It would result in more firm injection quantity throughout the course of the gas year than what the withdrawal quantity is such that it's not entirely consistent with the seasonal nature of STS.
613.           **MR. LANGEN:** When STS shippers with storage upstream of market inject into storage there is no incremental cost incurred by the Mainline, correct?
614.           **MR. KUNTZ:** Sorry, if I could just get you to repeat the question just one more time, Mr. Langen?
615.           **MR. LANGEN:** When STS shippers with storage upstream of market inject into storage there is no incremental cost incurred by the Mainline?
616.           **MR. KUNTZ:** I don't think I can agree with that. Just in the premise of your question there, the reference to an STS market being either upstream or downstream of the storage location point that's in their STS contract, that would be a reference to something like physical flow or the direction of flow that is no longer a relevant tolling factor that we consider for the tolling of any other firm services that are on the Mainline. So I would not agree with that.

617.           **MR. LANGEN:** Would you agree that for STS shippers with storage upstream of market that if you were to compare their FT toll to their market relative to the FT toll to the storage location the storage location toll is less?
618.           **MR. KUNTZ:** I'm not sure I understand the question. If you could just repeat it one more time?
619.           **MR. LANGEN:** Just give me a minute.
620.           Sorry, Mr. Kuntz, we'll try it this way. If you can pull up Appendix 2 to your application. It's Exhibit A75561-3. And we're going to go to Adobe page 3, please.
621.           **MR. KUNTZ:** Adobe page 3?
622.           **MR. LANGEN:** That's right, yeah.
623.           And you'll see that that's the listing of STS contracts and the associated FT companion contracts, correct?
624.           **MR. KUNTZ:** Correct, yeah.
625.           **MR. LANGEN:** Okay. And I'm going to try to do this efficiently if we can. You'll see that subject to I think the odd exception the majority of the injection locations are Union Parkway Belt or Union Dawn; do you agree?
626.           **MR. KUNTZ:** Yes.
627.           **MR. LANGEN:** Okay. And would you agree that the Union Dawn toll is currently \$50.31 per gigajoule?
628.           **MR. KUNTZ:** Sorry, what is the exact haul?
629.           **MR. LANGEN:** The Union Dawn toll FT.
630.           **MR. KUNTZ:** The FT long-haul toll from Empress to Dawn?
631.           **MR. LANGEN:** Yeah.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

632.           **MR. KUNTZ:** Yes, \$50.31 per GJ per month.
633.           **MR. LANGEN:** Thank you. And the Union Parkway Belt toll is \$54.49 long-haul FT?
634.           **MR. KUNTZ:** The toll from Empress to Union CDA \$54.58 per GJ per month.
635.           **MR. LANGEN:** Sure, good enough.
636.           And what I'm trying to determine is that when shippers with storage upstream of their market -- and in this instance I'm referring to Union Parkway and Union Dawn that we just talked about -- inject into that to Union Dawn and Union Parkway off their FT contract, their FT contract toll is higher than those two tolls I just discussed with you; would you agree with that?
637.           **MR. KUNTZ:** I think it depends on which long-haul FT STS shipper that you're talking about.
638.           **MR. LANGEN:** Okay, let's do it this way, Mr. Kuntz. Let's go through the list. Ontario -- sorry, 1425445 Ontario Limited. They're at the top of the list; do you see that?
639.           **MR. KUNTZ:** Yes, I do.
640.           **MR. LANGEN:** Okay. And their market point is KPUC EDA, agree?
641.           **MR. KUNTZ:** That is correct.
642.           **MR. LANGEN:** And would you agree or take subject to check that the toll, the FT long-haul toll from Empress to that market point is \$59.66?
643.           **MR. KUNTZ:** Subject to check, yes.
644.           **MR. LANGEN:** Okay. And so that is higher than the Union Parkway and Union Dawn toll that we just talked about?
645.           **MR. KUNTZ:** Correct. The toll that I just quoted there, yeah.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

646.           **MR. LANGEN:** Okay. And so then if we go to Enbridge Gas Distribution their market point is Enbridge CDA, and you take subject to check that that toll is \$55.57?
647.           **MR. KUNTZ:** Subject to check, yes.
648.           **MR. LANGEN:** Okay. And that is more expensive than going to Union Parkway Belt or Union Dawn, correct?
649.           **MR. KUNTZ:** Yes, it is slightly higher than the toll from Empress to Union CDA Parkway and it is greater than the toll to Dawn as well.
650.           **MR. LANGEN:** Okay. And if we go to the next Enbridge Gas distribution listing, the long-haul FT delivery point is the Enbridge EDA. I take, subject to check, that the toll there is \$57.23?
651.           **MR. KUNTZ:** Subject to check, yes.
652.           **MR. LANGEN:** Okay. And that again is higher than if that long-haul FT was going to Dawn -- Union Dawn or Union Parkway, correct?
653.           **MR. KUNTZ:** Correct.
654.           **MR. LANGEN:** Okay. And then we go to Gaz Metro. And I'm going to speak specifically to the GMIT NDA -- sorry, the GMIT EDA delivery point ---
655.           **MR. KUNTZ:** Yes.
656.           **MR. LANGEN:** --- Empress, the Dawn toll \$61.27; do you agree?
657.           **MR. KUNTZ:** Subject to check, yes.
658.           **MR. LANGEN:** Thank you. And that, too, is higher than the Union Parkway Belt toll -- or Union Dawn toll, correct?
659.           **MR. KUNTZ:** That is correct.
660.           **MR. LANGEN:** Okay. And then we go to St. Lawrence Gas and their delivery point on a long-haul FT is Cornwall, and the long-haul FT toll to

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

- that point's \$58.20, subject to check?
661.           **MR. KUNTZ:** Subject to check, yes, I agree.
662.           **MR. LANGEN:** Okay. And that, too, is higher than the Union Parkway Belt toll or, more important -- yeah, which they actually put into storage, correct?
663.           **MR. KUNTZ:** It's higher than the long-haul FT tolls from Empress to Dawn or Empress to Union CDA; that is correct.
664.           **MR. LANGEN:** Thank you. And TransGas, their long-haul FT delivery point is Philipsburg; their storage location is Union Parkway Belt; again the toll to Philipsburg is \$61.30, correct?
665.           **MR. KUNTZ:** Yes, that's correct.
666.           **MR. LANGEN:** Okay. Higher than the Union Parkway Belt long-haul FT toll, correct?
667.           **MR. KUNTZ:** That is also correct.
668.           **MR. LANGEN:** Okay. And then if we get to Union, the Union EDA long-haul FT toll from Empress is \$58.47, correct?
669.           **MR. KUNTZ:** Sorry, can you requote the toll for Empress to Union EDA that you mentioned?
670.           **MR. LANGEN:** Sure, 58.47.
671.           **MR. KUNTZ:** Yes, that's correct.
672.           **MR. LANGEN:** Okay. And that, too, is higher than the Union Parkway Belt toll as well as the Union Dawn toll, correct?
673.           **MR. KUNTZ:** That is correct.
674.           **MR. LANGEN:** Okay. And so my point is is that when a shipper, off their long-haul FT, uses STS to divert or get firm injection to their storage location, there's no incremental cost for that because they are using a shorter path.



675.           **MR. KUNTZ:** Well, in terms of their firm entitlements for their long-haul FT contract, it would be from their receipt point to the delivery point. What the STS service provides is a firm injection for seven months of the year, and that's a separate service.
676.           And so to the extent that that injection has to be provided on a firm basis and there would be some impact to the firm delivery obligations on the Mainline, on the integrated system, in the summer period, no, I cannot agree that there would be no incremental cost.
677.           **MR. LANGEN:** It seems contradictory to your evidence at RH-003-2011 but we'll deal with that another time.
678.           The purpose of the application is to standardize and simplify STS, correct?
679.           **MR. KUNTZ:** Sorry, Mr. Langen, were you directing that question at myself?
680.           **MR. HARRIS:** I think the purpose of the application, as we've stated, is to standardize and modernize STS.
681.           **MR. LANGEN:** It's not to introduce a new service, correct?
682.           **MR. HARRIS:** That's correct, although I would point out that with the variety of STS service that we provide to shippers through a variety of unique elements that those shippers have, that, at some extent, standardization and replacement with *pro forma* can, for some shippers, appear to be, you know, a change in their service, for certain, and that can vary across shippers given the -- sort of the array of unique attributes that the shippers have.
683.           **MR. LANGEN:** Its purpose is not to address any under-utilization of the Mainline, correct?
684.           **MR. HARRIS:** That's correct.
685.           **MR. LANGEN:** Yesterday I provided your counsel, again, with aids to cross. I'd like you to pull up the excerpt of RH-001-2014 that I provided to him. Do you have it, sir?

686. **MR. HARRIS:** Yes, I do, thanks.

687. **MR. LANGEN:** Okay. And the pages I provided you deal with the incentive mechanism, the positions of parties, and the views of the Board.

688. **MR. HARRIS:** That's correct.

689. **MR. LANGEN:** Okay. And then if we go to the last page of the excerpt I provided you -- it's hardcopy page 89 of that decision -- it says:

*"While the Board finds that the Mainline's situation has improved since the RH-003-2011 Decision was rendered, it still faces significant challenges going forward, the most significant of which is underutilization on parts of the system. An incentive mechanism is a useful tool to help address these challenges. Primarily for this reason, the Board believes that an incentive mechanism is still an appropriate tool for the Mainline"*

690. Do you agree that's what it says there?

691. **MR. HARRIS:** That's correct.

692. **MR. LANGEN:** So the incentive mechanism was a tool to address challenges facing the Mainline; that's why the Board approved it, correct?

693. **MR. HARRIS:** That's correct. I'll just read the last sentence of that same paragraph. It says:

*"The Board continues to believe that with a framework that provides the right tools to TransCanada and a properly structured balance of risks and rewards, TransCanada will have the appropriate means in place to continue to manage the issues facing the Mainline."*

694. So I believe that, in a sense, you could view our application as an effort to continue prudently managing the system, which is consistent with this direction from the Board, although I wouldn't say incentive mechanism is what brought us here today, as we've stated in our opening statement.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

695. **MR. LANGEN:** But the Board's purpose for putting the incentive mechanism in it was primarily to deal with underutilization; you agree with that?

696. **MR. HARRIS:** I agree that that's what the Board stated. I think the sentence that I read implies more the proper management of the system going forward in addition to that.

697. **MR. LANGEN:** And do you think, Mr. Harris, that the Board had to tell TransCanada to do that, to properly manage its system?

698. **MR. HARRIS:** Absolutely not. I think the Board and TransCanada are aligned on that front.

699. **MR. LANGEN:** And presumably TransCanada was aligned on that before this decision?

700. **MR. HARRIS:** Yes.

701. **MR. LANGEN:** Mr. Chairman, again I don't propose to enter that as an exhibit.

702. TransCanada states in the application and its reply evidence that it holds TBO on Union to account for Enbridge Gas Distribution's STS withdrawal requirement at Kirkwall, correct?

703. **MR. HARRIS:** That's correct.

704. **MR. LANGEN:** TransCanada holds various contracts on Union from both Dawn to Union Parkway and Kirkwall to Union Parkway, correct?

705. **MR. HARRIS:** This is correct also.

706. **MR. LANGEN:** And TBO is a systems cost under the Mainline's integrated toll structure, correct?

707. **MR. HARRIS:** It's a cost we incur in order to provide service on our system. If that's what you mean, I would agree.

708. **MR. LANGEN:** And it's not allocated to any particular Mainline

segment or path, correct?

709.           **MR. HARRIS:** That's correct and that's consistent with the rolled-in approach that we have to tolling on our system where when you cannot identify exactly which facilities are being used to provide service to exactly which contract, you assume that the aggregate demand for all contracts is driving the aggregate need for facilities and TBO and driving the aggregate cost of the system resulting in tolling on a roll-in system average basis.

710.           **MR. LANGEN:** Okay. If you can pull up TransCanada's response to Union 1.18. It's Exhibit A77195-5, please. Do you have it, sir?

711.           **MR. HARRIS:** Yes, I do.

712.           **MR. LANGEN:** And there TransCanada states that the TBO that it asserts is directly attributable to EGDI's Kirkwall STS withdrawal entitlement equates to an annual charge of \$762,000; is that correct?

713.           **MR. HARRIS:** I see that here as an approximate charge, yes.

714.           **MR. LANGEN:** And the Mainline's total revenue requirement for 2016 is approximately \$1.6 billion, correct?

715.           **MR. HARRIS:** That's correct.

716.           **MR. LANGEN:** Would you agree that the 762,000 that you assert is attributable to Enbridge Gas Distribution for that TBO on Union is not significant relative to the \$1.6 million -- \$1.6 billion revenue requirement of TransCanada?

717.           **MR. HARRIS:** You know, on a percentage basis, I think it speaks for itself. It is, however, a cost that is being incurred to provide service, and a cost being incurred to provide a service flexibility, which is not offered to other STS shippers, and I believe that's the point we were trying to make in the evidence that led to this IR.

718.           **MR. LANGEN:** Okay, sorry, did you say no, it's not significant?

719.           **MR. HARRIS:** No, I think that any costs that we can reduce is important for us to do so, and to ensure that we're not incurring costs that we should not be incurring.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

720.               So you know, I think it's a value judgement as to whether or not people get up in the morning and are incented by 762,000, whether that's in relation to a revenue requirement or something else. I would say that that's a worthwhile cost of examining what's causing it.

721.               **MR. LANGEN:** Would you agree that that 762,000 is approximately 0.05 percent of the revenue requirement of TransCanada?

722.               **MR. HARRIS:** Subject to check, I'll take that.

723.               **MR. LANGEN:** Okay. Can you please pull up your reply evidence at Exhibit A79155-2 and we'll go to Adobe pages 14 and 15, please?

724.               **MR. HARRIS:** May I have the paper pages too please, Mr. Langen?

725.               **MR. LANGEN:** The hard copy page, we'll go to page 11. You'll see there that there is Table 3-1, and this is where TransCanada estimates, in its view, using EGDI's numbers, what the percentage impact of the cost impacts of this application will have on Enbridge Gas, and you did it on the basis of revenue requirement, correct?

726.               **MR. HARRIS:** That's correct.

727.               **MR. LANGEN:** And do you see there that 0.04 percent?

728.               **MR. HARRIS:** That's correct.

729.               **MR. LANGEN:** Pretty close to the 0.05 percent we were just talking about earlier.

730.               **MR. HARRIS:** That's correct. I mean, both of these you could characterize as small impacts.

731.               **MR. LANDEN:** Okay, so Mr. Harris ---

732.               **MR. HARRIS:** The point that I want to make though, is that ---

733.               **MR. LANGEN:** Let's go to the next page, sir. Let's go to page 10, please.

734.           **MR. HARRIS:** The reason, Mr. Langen, that we included this, is that in their evidence, the intervenors who have filed opposing evidence have cited much larger impacts to themselves that were not placed in the context of their revenue requirement, and so we wanted to make the point that although the impacts could be measured in millions of dollars, when you measure them in terms of impacts to the end users, that that -- it sounds less like rate shock to us, and that's the point that we wanted to make.

735.           **MR. LANGEN:** If we can go to page 10, please. I'll direct you to line 19, and there it says, and I quote:

*"However, its historical lack of withdrawals from Kirkwall suggests no such costs would be incurred [...]. In any event, the total impact to EGDI of \$0 (based on the Application) or \$1.1 million (based on EGDI's overstated estimate) is not significant."*

736.           So is it significant, sir, or is it not significant?

737.           **MR. HARRIS:** I would say that that impact is not significant when you are in the context of considering whether impacts are a factor in the public interest determination of making a change in your tariff so that it's more principled.

738.           **MR. LANGEN:** It appears from TransCanada's evidence that a few of you on the witness panel have held positions in TransCanada involving market analysis and forecasting, correct?

739.           **MR. HARRIS:** That's correct.

740.           **MR. LANGEN:** And I'm wondering if you can pull up TransCanada's response to NEB 3.1, please? There TransCanada was asked by the NEB about its potential new long-haul FT service, and the one that you were discussing earlier this morning, and you're going to offer a discount to long-haul FT toll, correct?

741.           **MR. KUNTZ:** It's a proposed service, yes. That's an aspect of it.

742.           **MR. LANGEN:** And what I took from the discussion this morning

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

with Mr. Schultz was that the intention is that that service would take -- was intended to move volumes that would not otherwise move on the Mainline system.

743.                   **MR. SCHULTZ:** That's what we're attempting to accomplish with it, yes.

744.                   **MR. LANGEN:** And so in doing -- in investigating that service, TransCanada has conducted, I'm assuming, some analysis and forecast of supply and demand?

745.                   **MR. SCHULTZ:** We've looked at the supply and demand in the WCSB and we've looked at our contractual circumstances on the Mainline to inform that the flows from the WCSB along the Mainline to the eastern markets would appear to be declining, have been declining for a number of years, and given the forecasted contracts with the new short-haul expansions that are soon to be getting put in to place, that we will see less utilization of long-haul contracting in that environment.

746.                   **MR. LANGEN:** So you've deployed a bunch of resources to assess supply demand forecast, Mainline flows, including taking to account your potential future builds, correct?

747.                   **MR. SCHULTZ:** I think that's -- at a high level, that's correct again, the supply and demand in the west and kind of looking at the contracts as being predictive of flows on the Mainline.

748.                   **MR. LANGEN:** And TransCanada's been doing these types of analyses and forecasts for years? That's your business; that's what you do?

749.                   **MR. SCHULTZ:** I'd agree with that.

750.                   **MR. LANGEN:** And it's fair to say that TransCanada's expertise at doing this, given that expertise, it's in the best position to deal with forecasts on the Mainline?

751.                   **MR. SCHULTZ:** I would agree.

752.                   **MR. LANGEN:** EGDI is the largest natural gas utility in Canada, correct?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

753. **MR. HARRIS:** I believe that's correct. I'm -- when I say that, I'm -- they are our largest customer, so I believe that's correct.
754. **MR. LANGEN:** In that role, it implements a gas supply plan that includes a portfolio of gas transportation and storage contracts so as to meet its forecast demand there?
755. **MR. HARRIS:** I believe that's what Enbridge has stated in its evidence.
756. **MR. LANGEN:** And presumably, like TransCanada in its forecasting on its system, Enbridge Gas deploys expertise and resources to forecast and develop that portfolio. Seems likely?
757. **MR. HARRIS:** Yes, that seems likely.
758. **MR. LANGEN:** Does TransCanada know EGDI's historical current and forecast annual load profiles for each of EGDI's residential, commercial, and industrial loads?
759. **MR. HARRIS:** I think there might be a difference between knowing and having access to that information. I mean, that would be public information that I think is available. But in terms of knowing it as we sit here on the panel today I'd say no.
760. **MR. LANGEN:** Do you know how EGDI forecasts its peak demand? Does it do so on the basis of historical demand, historical weather, forecast weather, monthly forecast changes? How does it do it?
761. **MR. HARRIS:** My understanding is that they consider the peak potential winter need based on some measure of degree days as they've been experienced in the past.
762. **MR. LANGEN:** But you don't know when they're assessing their peak, whether they're forecasting weather going forward, whether they're looking historically, whether their industrial loads are mixed in? In what way? You don't know that, do you?
763. **MR. HARRIS:** No, I don't.



764.           **MR. LANGEN:** In conducting its gas supply planning process and forecasting, EGDI employs and balances a number of principles. Do you know what those principals are?
765.           **MR. HARRIS:** Without referring perhaps to Enbridge's own evidence, I don't think I could give you a near close to exhaustive list of those considerations.
766.           **MR. LANGEN:** Can you tell me how EGDI employs these principles to forecast its natural gas supply demand, transportation and storage requirements?
767.           **MR. HARRIS:** No.
768.           **MR. LANGEN:** Can you tell me how Enbridge Gas balances these principles in conducting its forecast?
769.           **MR. HARRIS:** Again, I cannot.
770.           **MR. LANGEN:** Mr. Reed, in setting the tolls for a pipeline service the Board should consider the value of the service to shippers, correct?
771.           **MR. REED:** It's a secondary consideration typically. But yes, I think it can and often should.
772.           **MR. LANGEN:** And the value is a function of the attributes making up the pipeline service, correct?
773.           **MR. REED:** Yes, if we're using attributes in the same fashion, the value is affected by the attributes.
774.           **MR. LANGEN:** If an attribute has value it has value in a toll, correct?
775.           **MR. REED:** If an attribute has value it has value to the user of that service. That may or may not be reflected in the toll.
776.           **MR. LANGEN:** But it has value in the toll? That value should appear in the toll, correct?

777.           **MR. REED:** No, not necessarily. As I said, value is a secondary consideration, typically, after cost. The Board has said it considers value in addition to cost in certain services in certain times just as it considers competitiveness in addition to cost. But it is not necessary that value be reflected in a toll.
778.           **MR. LANGEN:** Mr. Reed, can you pull up the aid to cross I provided your counsel? It's the excerpt of your testimony in the RH-001-2013 proceeding, please.
779.           **MR. REED:** I have that.
780.           **MR. LANGEN:** Have you had a chance to review that?
781.           **MR. REED:** Yes, I have.
782.           **MR. LANGEN:** Okay. And just to set the context, in this excerpt you were being cross-examined by Mr. Mondrow and you were discussing the proposed tariff changes that TransCanada was seeking approval of, including changes specific to renewal provisions of FT, the introduction of the ELTRO; is that fair?
783.           **MR. REED:** Yes.
784.           **MR. LANGEN:** Okay. And if we can go to paragraph 843, please? And there it says -- Mr. Mondrow asked the question:
- "Okay. So let's just back up for a second. If an attribute has value, it has value in a toll, whether it's used or not; right? I mean it's available and that provides a value, doesn't it?"*
785.           "Yes," is your response. And you go on to say:
- "...the value may be zero or near zero for shippers that flow at a very high load factor."*
786.           So I'll ask my question again. If an attribute has value, it has value in a toll, correct?

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

787. **MR. REED:** The second part of your question before was, "...and that value should be included in the toll." And that's the part to which I clarified that that's not always the case.

788. **MR. LANGEN:** But it has value in a toll, correct?

789. **MR. REED:** Using the words as Mr. Mondrow did, yes, I would say my answer is the same. It may have value that's reflected in that toll that may be zero. But again, value is not necessarily reflected in tolls that the Board sets.

790. **MR. LANGEN:** Mr. Chairman, if I may, I would suggest that this get marked as an exhibit.

791. **THE CHAIRMAN:** Ms. Comte?

792. **MR. YATES:** Mr. Chairman, I don't have an objection to the marking of this as an exhibit, only a comment that when this sort of thing happens that what may be referred to in argument is only the passage that has been put to the witness by the cross-examining counsel. So I'm not objecting to these other pages of the excerpt being marked as part of the exhibit on that basis.

793. **THE CHAIRMAN:** Yes, Mr. Yates, that's our typical practice.

794. **MS. COMTE:** It will be Exhibit number C4-8 and the filing ID will be A79452.

**--- EXHIBIT NO./PIÈCE No. C4-8:**

*Filing A79452. Excerpt of testimony provided by Mr. Reed in response to question posed by Mr. Mondrow in RH-001-2013, Volume 1, paragraphs 843 and 844*

795. **MR. LANGEN:** Thank you, Mr. Chairman; thank you, Ms. Comte.

796. Mr. Schultz, as Mr. Harris indicated just a few short minutes ago, this application is about standardizing and modernizing -- I'm having difficulty this morning -- STS because there are currently non-standard STS contracts. Is that fair?

797. **MR. SCHULTZ:** I believe that's fair, yes.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

798.           **MR. LANGEN:** And it's about eliminating certain attributes of STS service that are unique to one or more STS shippers, correct?

799.           **MR. SCHULTZ:** Can I ask you to repeat that, please?

800.           **MR. LANGEN:** It's about eliminating certain attributes of STS service that are unique to one or more STS shippers; is that correct?

801.           **MR. HARRIS:** Mr. Langen, I'd like to just be clear that standardization is a key element of our application. There are a few things that we're proposing to change that are currently in the pro forma contract. For example, the current pro forma contract does not define a link between the quantity of injection and the quantity of ---

802.           **MR. LANGEN:** Mr. ---

803.           **MR. REED:** I just want to ---

804.           **MR. LANGEN:** Mr. Harris, no, no. This has nothing to do with my question, in all fairness. I'm going to ask my question again.

805.           **MR. HARRIS:** I just wanted to be clear, maybe to short-circuit this, that there are some things that we are proposing which affect the pro forma contract and don't relate to amending non-standard elements.

806.           **MR. LANGEN:** Okay. And I think that was covered in the "modernization" that I built into my question. So it's about eliminating certain attributes of STS service that are unique to one or more shippers as well as modernization.

807.           **MR. KUNTZ:** I think it might be helpful here, Mr. Langen, just to point out that the only thing that's being eliminated or is proposed to be is injection pooling. All of the other attributes of STS service, they would continue in some form. It's just that we've proposed amendments.

808.           **MR. LANGEN:** We can agree that it's about standardization, correct?

809.           **MR. HARRIS:** That's where my ---

810. **MR. LANGEN:** Can we agree that it's in part about standardization?

811. **MR. HARRIS:** Yes.

812. **MR. LANGEN:** If we could pull up TCPL's application at Adobe page 5, please, Exhibit A75561-1?

813. **MR. SCHULTZ:** Could you repeat which Adobe page that was?

814. **MR. LANGEN:** Yes, it's Adobe page 5.

815. **MR. SCHULTZ:** Thank you.

816. **MR. LANGEN:** Paper page roman numeral "i". Do you have it?

817. **MR. KUNTZ:** We do.

818. **MR. LANGEN:** And I'm going to direct your attention to paragraph 8. There it states in the last sentence, and I quote:

*"These non-standard contracts vary significantly from one another and often contain service provisions in addition to those that are specified in the pro forma STS contract in the Tariff."*

819. That's what it says there.

820. **MR. HARRIS:** I see that, yes.

821. **MR. LANGEN:** Okay.

822. **MS. AUDINO:** Mr. Langen, sorry to interrupt but do you mind just waiting a moment while the Panel has the exhibit before them? Thank you.

823. **MS. VAN IDERSTINE:** Can you just repeat the number for me, please?

824. **MR. LANGEN:** It's the application A75561-1, Adobe page 5.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

825. And I was referring to the last sentence in paragraph 8, Mr. Chairman and Panel members.

826. If we go to paragraph 9 it says:

*“The changes that are proposed will simplify and standardize STS in the Tariff in terms of service features and firm capacity entitlements [...]”*

827. Do you agree that’s what it says there?

828. **MR. HARRIS:** That’s correct. It goes on from there but it does say that.

829. **MR. LANGEN:** Can we please pull up Exhibit number A78344-3, please?

830. **MR. HARRIS:** Mr. Langen, I’m keeping my records a little differently. If you could also tell us what that is and what paper page it’s on as well as you do this, please?

831. **MR. LANGEN:** Sorry, I apologize. That’s EGDI’s evidence, Appendix 3. Sorry, Appendix 1. I apologize. If we go to Adobe page 2, hard copy page 2.

832. Ms. Comte, it’s Appendix 2. It was a separate exhibit number, 78344-3. I apologize.

833. Mr. Schultz, do you know what this is?

834. **MR. HARRIS:** I think I’ll start responding to questions related to this Agreement and Mr. Schultz can jump in. I might have a little bit more familiarity.

835. **MR. LANGEN:** Okay. Mr. Harris, do you know what this is?

836. **MR. HARRIS:** I recognize this. This is our Balance Transfer Agreement that we have with Enbridge Gas Distribution.

837. **MR. LANGEN:** And you agree that it’s a agreement that permits the transfer of accumulated STS withdrawal balance from Enbridge’s EDA to its

Enbridge CDA?

838. **MR. HARRIS:** That's correct. This is a contract we entered into in 2010 or 2011 that does permit the transfer of STS balances from one market to another. It had an initial term of four years, sorry, three or four years. I'm not exactly sure. And then it does renew automatically and can be terminated by either party on six months' notice, or less if certain conditions aren't met regarding long-haul contract quantities to the EDA and CDA.

839. **MR. LANGEN:** Can we pull up your application, Appendix 2? It's Exhibit 75561-3, please, Adobe page 3. It's the application; it's Appendix 2 to the application, A75561-3.

840. I apologize, Ms. Comte, I gave you the wrong exhibit number.

841. And you want to zoom in if you can, Ms. Comte, on the last column in the table, column S, and go down to the rows 6, 7, 8, 10, 11, and 12 if you can, the Enbridge Gas rows. And you want to go to the last column on the right. Thank you.

842. Do you agree, Mr. Harris, that under that column -- this is the listing of STS contracts -- column S is non pro forma, agreed?

843. **MR. HARRIS:** Agreed.

844. **MR. LANGEN:** And under the Enbridge Gas Distribution, Inc. rows it says:

*"May transfer storage balance from EDA to CDA."*

845. **MR. HARRIS:** That's correct. This is a non-standard element of the Enbridge STS service. We also report this in our non-standard contracts report.

846. **MR. LANGEN:** And would you take subject to check, Mr. Harris, that that is the only reference to this Agreement in your application?

847. **MR. HARRIS:** That's correct. Enbridge asked an IR on that which we responded to.

848. **MR. LANGEN:** And would you take subject to check that this

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

Balance Transfer Agreement is not referenced in your additional written evidence either?

849.               **MR. HARRIS:** I don't recall us mentioning it in our additional written evidence.
850.               **MR. LANGEN:** If we can pull up that IR that you were referring to? It's EGDI -- sorry, TransCanada's response to EGDI 1.13. It's Exhibit A77195-3. And I'll focus your direction, Mr. Harris, to the question in that, question (b).
851.               And in that request, EGDI requested a narrative describing the non-standard contract that we were just discussing, correct?
852.               **MR. HARRIS:** That's correct.
853.               **MR. LANGEN:** And if you look at the response, TransCanada provided the report on differences between active executed Mainline transportation contracts and pro forma contracts, correct?
854.               **MR. HARRIS:** That's correct.
855.               **MR. LANGEN:** And in request (c) of that IR, EGDI asked if TransCanada intended to make the balance transfer a standard attribute of STS, correct?
856.               **MR. HARRIS:** Correct.
857.               **MR. LANGEN:** And the response TransCanada provided confirmed that it was a non-standard feature and it did not propose to have it apply to all STS shippers, correct?
858.               **MR. HARRIS:** Correct.
859.               **MR. LANGEN:** And in request (d), EGDI asked if the Balance Transfer Agreement was not going to be made available to all shippers why was it not addressed in the application and in TCPL's additional written evidence, correct?
860.               **MR. HARRIS:** That's correct also.



**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

861.           **MR. LANGEN:** Okay. And in response, TransCanada stated that because it does not require NEB approval to terminate the Balance Transfer Agreement any decision to terminate that Agreement will be informed by the NEB's decision in this proceeding, correct?
862.           **MR. HARRIS:** That's what it says.
863.           **MR. LANGEN:** So can you tell me today, Mr. Harris, does TransCanada intend to terminate this Balance Transfer Agreement between EGDI and TransCanada?
864.           **MR. HARRIS:** Let me start by saying that this is an example of perhaps the way we should have done some of these things with special agreements, is to have them not subject to evergreen but subject to potential termination. We probably wouldn't be here today if we'd done that in more cases.
865.           So it's not part of the application because it's not in our tariff and we have the right to terminate it. And so for that reason we did not ask the NEB's permission to terminate this Agreement.
866.           Directionally, the ability to transfer balances from one market to another is inconsistent with what we are proposing in our application with respect to having individual balances for each market. And so it does cause us some concern.
867.           However, we have not landed a decision as to whether or not we would terminate the Agreement in certain scenarios of the Board's decision in this proceeding, the reason being we would probably want to see what the Board's words were in its decision in this proceeding, and we'd also want to consider whether or not the Balance Transfer Agreement as it's being used is causing any harm.
868.           The ability to transfer balances has not been used for the last two or three years. If it were being used on a supplemental or a just-in-case basis, then maybe it wouldn't cause a problem. But if it were being used to avoid holding the long-haul contracts in an appropriate quantity in relation to the STS service, then I think we would deem that harmful and in that case terminate it.
869.           **MR. LANGEN:** So you can't tell me today whether or not you're

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

going to terminate this Agreement; is that your answer?

870. **MR. HARRIS:** I cannot. I can tell you factors that will go into that decision as I just have.

871. **MR. LANGEN:** If we can pull up the application, Exhibit A75561-1, please?

872. **THE CHAIRMAN:** Mr. Langen, just a process check here. I see it's 12 o'clock. If you could kind of give us an idea of how much more you would have?

873. **MR. LANGEN:** Five minutes, maybe a bit more.

874. **THE CHAIRMAN:** Please proceed.

875. **MR. LANGEN:** Thank you.

876. If we go to Adobe page 35, hard copy page 23. And I'll direct you, Mr. Harris, to line 16. There it says -- we're discussing withdrawal pooling in this section and there it says, and I quote:

*"While standardization of STS transportation is a primary goal of the Application, TransCanada recognizes that withdrawal pooling has historically been relied on by Union and Gaz Métro to meet their [market] requirements, and is prepared to grandfather this non-standard flexibility in the [limiting] circumstances of the existing contracts."*

877. Do you agree that's what it says there?

878. **MR. HARRIS:** I do.

879. **MR. LANGEN:** So in recognition of the flexibility that the pooling provides Union and Gaz Métro, you're willing to grandfather that attribute of STS, correct?

880. **MR. HARRIS:** I wouldn't say that it's based strictly on the flexibility. Our first choice would have been to eliminate withdrawal pooling.

881.           The concern we had with that option, as we outlined in our application, is that elimination of withdrawal pooling could drive the need for incremental facilities in the system. And it was that consideration primarily that led us away from that being our primary proposal. And that is what led us to proposing to maintain withdrawal pooling as a non-standard feature, if shippers elected to continue using it, but with a surcharge applied.

882.           **MR. LANGEN:** Mr. Schultz, earlier we talked about what equity meant. Does TransCanada think it acted equitably in offering to grandfather pooling and its associated flexibility to Union and Gaz Métro while not offering to grandfather the Balance Transfer Agreement and its flexibility to EGDI?

883.           **MR. SCHULTZ:** I think the circumstances are different and as a result, as I mentioned before, I think if you're similarly situated then that equity would apply. But in this case we don't believe that those are similar situations, as Mr. Harris described to the withdrawal pooling, consideration having to need to provide additional facilities potentially which would have a lag time of how quickly we could even implement that outcome if that was the end state we were going to.

884.           This grandfathering seemed to be an opportunity to at least provide for that feature to be retained by the shippers and still allow us to basically differentiate them. But it would be treated uniquely; it wouldn't be allowed to persist if -- I think we mentioned that if shippers choose to reduce their STS quantities that that would never be allowed to be re-established and that sort of thing. So I think the circumstances between that and the Enbridge circumstance is quite different.

885.           **MR. REED:** When I evaluated the "equity" of that, to go back to your phrase, what entered in my thought process was it's being grandfathered but it's being grandfathered with the addition of a charge.

886.           **MR. LANGEN:** Well, thank you for that, Mr. Reed, but you didn't even offer a charge to Enbridge Gas, did you?

887.           **MR. REED:** It's not up to me to offer something. I'm talking about my evaluation of the equity, which was the basis of your question. So it is important to understand it's not just being grandfathered; it's being grandfathered with the addition of a surcharge.

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

888.           **MR. LANGEN:** So would TransCanada consider amending its application to provide -- to grandfather the pooling agreement for a charge?
889.           **MR. HARRIS:** No, I don't think so. I think our starting point is to establish service that's standardized, provided in our tariff, in a clear and transparent fashion that's available to all shippers in an understandable way.
890.           The grandfathering of withdrawal pooling is an exception to that and it's one that we don't take lightly. And it's one that we only made because it has a potential facility impact on our system which, you know, is not a favourable outcome and led us to step away from our first choice of complete standardization to allow for the grandfathering of withdrawal pooling to the extent that shippers wish to retain it.
891.           **MR. LANGEN:** Mr. Harris, I find it a bit funny how you, in your response, referred to transparency. Earlier, Mr. Schultz indicated that transparency was the ability to understand how parties are being treated. It's observable; it's known.
892.           Has TransCanada in this application been transparent to the Board, to Enbridge Gas Distribution, and to participants when it failed to raise the Balance Transfer Agreement in place?
893.           **MR. HARRIS:** We did raise it, as you pointed out, in Appendix 2 to the application. As I noted, it's not something we need Board approval for. It is published in our non-standard contract report so it is public and it's transparent in that fashion.
894.           **MR. LANGEN:** But as we stand here today, Enbridge Gas does not know what the outcome of that Agreement will be, and it cannot make plans to adapt because it has to wait for you to make the decision. Whereas all the other STS shippers, you addressed all of their attributes, all of the ones that you wanted to standardize. How is that equitable, sir?
895.           **MR. HARRIS:** We were just quickly conferring and all reached the same conclusion that because this Agreement has been subject to termination over the past number of years, and that's not being changed by this application, that that uncertainty which Enbridge is experiencing is unaffected by this application.
896.           **MR. LANGEN:** Do you recollect that in your reply evidence -- we

**TransCanada PipeLines Limited**  
**Examination by Mr. Langen**

discussed this table but Table 3-1; it's hardcopy page 11 -- and I apologize, Ms. Comte, I don't have the exhibit number -- you critiqued the cost impacts of Enbridge Gas Distribution that they identified in their evidence; do you agree with that?

897. **MR. HARRIS:** Yes, although I think we do so not on page 11 but more fully in some portion of Section 4 that I think Mr. Kuntz could speak to more readily.
898. **MR. LANGEN:** And how is -- again, how is Enbridge Gas Distributions supposed to understand the impacts of this application if you are unable to tell them whether or not you're going to terminate what is a non-standard contract until after this is done?
899. This whole application is about standardization, sir, and TransCanada failed to address a non-standard contract to its largest shipper. Where -- when do you plan to address that?
900. **MR. HARRIS:** Again Mr. Langen, there is no change with respect to the potential for termination to that contract as a result of this application. So if Enbridge has a concern that that contract can be terminated, that that's a concern that existed before we filed our application.
901. **MR. LANGEN:** Thank you, Mr. Chairman. Those are all my questions.
902. Thank you, witnesses.
903. **THE CHAIRMAN:** Thank you, Mr. Langen.
904. We will reconvene at one o'clock but first, Mr. Smith, the Board has a hard deadline to get out of here at 3:15. If that causes you an issue with your cross, if you could talk with our Board counsel.
905. **MR. SMITH:** Not a problem, thanks.
906. **THE CHAIRMAN:** Thank you.

--- Upon recessing at 12:10 p.m./L'audience est suspendue à 12h10

--- Upon resuming at 1:01 p.m./L'audience est reprise à 13h01

**MATTHEW WHARTON: Resumed, Sous le même serment**

**GRANT KUNTZ: Resumed, Sous le même serment**

**JOHN J. REED: Resumed, Sous le même serment**

**ALEX HARRIS: Resumed, Sous le même serment**

**DAVE SCHULTZ: Resumed, Sous le même serment**

907. **THE CHAIRMAN:** Yes, Mr. Langen?

908. **MR. LANGEN:** Thank you, Mr. Chairman, just one preliminary matter.

909. Enbridge Gas Distribution Inc. just a few short minutes ago filed electronically its written opening statement. I believe it's marked as Exhibit A79469 and I have copies for the Board and Board staff. I'll put some copies in the back and I've provided copies to my friends in the room.

910. Thank you.

911. **THE CHAIRMAN:** Mr. Smith, whenever you're ready.

**--- EXAMINATION BY/ INTERROGATOIRE PAR MR. SMITH:**

912. **MR. SMITH:** Thank you, Mr. Chairman.

913. Members, good afternoon. Good afternoon, panel. My name is Smith and I represent Union Gas.

914. I would ask, if you might, to please turn up the TransCanada reply evidence, Exhibit 79155-2. I'm looking at page 11 starting at line 7. Just let me know when you have that, if you would, please.

915. **MR. LANGEN:** It looks like we all have that, Mr. Smith.

916. **MR. SMITH:** Thank you.

917. Now, I'm just going to read this into the record for the purposes of our discussion.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

*“TransCanada recognizes that changes to STS result in the need for LDCs to reconsider their portfolio and make elections, and that some adjustments may not be possible right away because of other gas supply arrangements.”*

918.                   You see that part?

919.                   **MR. LANGEN:** We do.

920.                   **MR. SMITH:** Okay. And keep your finger there because I’ll come back to the balance in a second.

921.                   Just as I pause there about adjustments to gas supply arrangements, Mr. Harris, was TransCanada aware of the OEB practice whereby Union has to file a gas supply plan each September?

922.                   **MR. HARRIS:** We’re aware that the LDCs filed gas supply plans -- I personally wasn’t aware that it occurs each September.

923.                   **MR. SMITH:** Were you aware that the planning cycle starts in April so that it’s a four to five month process each year?

924.                   **MR. HARRIS:** No.

925.                   **MR. SMITH:** Why wouldn’t you have inquired since you recognize there are issues with respect to adjustment to gas supply arrangements?

926.                   **MR. HARRIS:** Because we have given the shippers notice, most formally in February of 2015, that we are going to be seeking changes to STS service, either through the collaborative process or through litigation, but that we were -- we had concluded that we could no longer leave the service as it was.

927.                   So at that time I don’t know if April 2017 implementation had been discussed but we filed our application in, I believe it was February of this year and I haven’t heard any information from the LDCs through their evidence that April 17, specifically, was an issue with respect to a date for implementation.

928.                   **MR. SMITH:** And when you say April ‘17, you’re talking about April 2017?

929. **MR. HARRIS:** Correct.

930. **MR. SMITH:** Now, let's continue with the quote, if you just go back, line 9.

*"However, regulated services are subject to change when warranted, and shippers had sufficient notice that change was likely."*

931. Do you see that?

932. **MR. HARRIS:** I see that and I still agree with that.

933. **MR. SMITH:** And I think you've already spoken to the last phrase in that sentence but what I wanted to focus on was the "when warranted". Do you see that?

934. **MR. HARRIS:** Yes, I see that.

935. **MR. SMITH:** Now, regulated services change not when TransCanada unilaterally determines that they should but when the regulator agrees that it's just and reasonable; would you agree with that?

936. **MR. HARRIS:** Of course.

937. **MR. SMITH:** And so you don't know today, or maybe you do, what the NEB is going to agree with amongst your proposals?

938. **MR. HARRIS:** That's correct. We believe we have a problem; we've put forward a solution. We've put together enough evidence and information that we believe is sufficient to conclude there is a problem and that the solution is reasonable, and now it's -- once this evidentiary portion and argument are over, it's squarely in the Board's hands.

939. **MR. SMITH:** Mr. Harris, that was a fairly simple question. I understand the Panel has a timing constraint around three o'clock and I'm dedicated to being done by then so if we can try and tighten this up it would help.

940. The simple proposition is that the Board could approve some, deny others. They could vary any one or all of the proposed changes that are in your



application; is that fair?

941. **MR. HARRIS:** Yes.

942. **MR. SMITH:** And none of us know now how that's going to turn out; we'll all learn it when the NEB renders their decision?

943. **MR. HARRIS:** That's correct; I think that goes without saying.

944. **MR. SMITH:** Well, I'm glad I said it.

945. And TransCanada's previously proposed a number of changes to its tolls and tariffs on a -- well, over the past five years or so?

946. **MR. HARRIS:** Yes.

947. **MR. SMITH:** In particular, TransCanada had proposed very far-reaching changes in their restructuring application it filed in September of 2011, the so-called "restructuring application"?

948. **MR. HARRIS:** Yes, that application was far-reaching, yes.

949. **MR. SMITH:** Okay. And did you have consultations with shippers which preceded the hearing of that application?

950. **MR. HARRIS:** Yes. I was not involved in those personally but they lasted for well over a year, maybe two.

951. **MR. SMITH:** Right. And so those shippers were on notice that change was likely?

952. **MR. HARRIS:** I would agree with that.

953. **MR. SMITH:** But they wouldn't have known what specific changes amongst the proposed or discussed changes would ultimately be approved by the Board?

954. **MR. HARRIS:** That's correct. And then one would expect that they would leave flexibility, to the extent that they could, in their decisions for supply so that should there be a need to adjust they would be able to do so, recognizing

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

that at times there may be a limited ability to adjust, as we stated in our evidence.

955. **MR. SMITH:** Now, the RH-003-2011 hearing process was lengthy and controversial; is that fair?

956. **MR. HARRIS:** Fair.

957. **MR. SMITH:** And the Board ultimately rendered a decision in March of 2013, roughly 18 months after the application was filed?

958. **MR. HARRIS:** I don't recall if they issued a decision with reasons to follow or the decision and the reasons at the same time. But that sounds about correct to me.

959. **MR. SMITH:** And that's fine, sir, for my purposes.

960. And suffice to say, the Board did not approve all the things TransCanada proposed?

961. **MR. HARRIS:** Correct.

962. **MR. SMITH:** And there were quite a number of those which would have occasioned very significant changes to gas supply arrangements, for example the extension of the -- or changes to the Prairies section and the tolling that related to the extension of the Alberta piece, the Nova piece, right?

963. **MR. HARRIS:** Correct.

964. **MR. SMITH:** Now, so any contractual changes that LDC might have made based on TransCanada's proposals alone might have had to have been undone if they had tried to anticipate them earlier in the process prior to the NEB's decision, fair?

965. **MR. HARRIS:** That's fair, although the point we're trying to make is that at times shippers have decisions to make and when they make those decisions they make them for certain time horizons. And so the time horizon they would choose to establish a supply arrangement would probably be a function of the amount of uncertainty they face at that time.

966. And so if, for instance with our STS application -- if they'd been

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

informed that there is a likelihood of change, when they're making supply arrangements they might not make new supply arrangements for a period of multiple years but might make supply arrangements for a period of one or two years in light of that uncertainty.

967.               **MR. SMITH:** Now we established that RH-003-2011 was issued March 2013. About a month or so later on May 1<sup>st</sup>, 2013 TransCanada filed an R&V application, right?

968.               **MR. HARRIS:** I don't recall the date but I don't dispute it either.

969.               **MR. SMITH:** And that R&V application included a host of proposed tariff amendments amongst other things?

970.               **MR. HARRIS:** I guess I don't want to quibble with the word "host" but there were a number of changes.

971.               **MR. SMITH:** Fair enough. I didn't mean anything pejorative by it but there were a number.

972.               And the NEB on July 22<sup>nd</sup>, 2013 dismissed the R&V but deemed the Tariff Amendment Application to be a separate application, which was scheduled to be heard in what became known as the RH-001-2013 proceeding, right?

973.               **MR. HARRIS:** Still on track.

974.               **MR. SMITH:** Okay. So I take that to be a "yes"?

975.               **MR. HARRIS:** Yes, sorry.

976.               **MR. SMITH:** Thank you. But you need not apologize.

977.               And so as of May 1<sup>st</sup>, 2013 shippers were on notice that further changes were likely or only possible?

978.               **MR. HARRIS:** I'm just trying to remember what exactly we proposed. There was a term-up type element; there was amendment to STS overrun; and there was ---

979.               **MR. SMITH:** Diversions.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

980. **MR. HARRIS:** --- diversions. That's correct.
981. **MR. SMITH:** Alternate receipt points.
982. **MR. HARRIS:** That's right.
983. **MR. SMITH:** ARPs.
984. **MR. HARRIS:** So that would create the possibility of change, yes.
985. **MR. SMITH:** And those proposals were known to be contentious and they were actively opposed?
986. **MR. HARRIS:** Correct.
987. **MR. SMITH:** And then on October 10<sup>th</sup>, 2013 the NEB issued a decision with reasons to follow and those reasons were issued November 25<sup>th</sup>, 2013, subject to check?
988. **MR. HARRIS:** Correct, subject to check.
989. **MR. SMITH:** And ultimately the NEB did not approve all of TransCanada's tariff proposals, right?
990. **MR. HARRIS:** Correct.
991. **MR. SMITH:** They rejected TransCanada's diversion and ARP proposals, indicating now was not the time to make those adjustments; do you recall that?
992. **MR. HARRIS:** Correct.
993. **MR. SMITH:** They rejected the STS overrun proposals?
994. **MR. HARRIS:** Proposal, yes.
995. **MR. SMITH:** Proposal, I stand corrected.
996. Rejected TransCanada's proposed changes to the renewal provisions,

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

- the specific term-up that TransCanada had proposed?
997.           **MR. HARRIS:** That's correct.
998.           **MR. SMITH:** And so if an LDC had altered its related contractual arrangements to align with TransCanada's filed proposals, they would have had to have been undone, right? Or at least deferred.
999.           **MR. HARRIS:** I think if they had aligned with our proposal they may have then regretted it having the proposal not later having been approved. But they would have been on notice of a potential for change that would possibly allow them to make arrangements on a shorter term than they otherwise would have.
1000.          **MR. SMITH:** One thing is for sure, Mr. Harris; during this period there was lots of change and lots of uncertainty, fair?
1001.          **MR. HARRIS:** I would agree with that.
1002.          **MR. SMITH:** RH-001-2013 took place over nine days in September of 2013; sound right?
1003.          **MR. HARRIS:** Subject to check.
1004.          **MR. SMITH:** And towards the end, meaning almost at the end of that hearing, do you recall an issue that arose when APPrO requested the filing of minutes of the September 10<sup>th</sup>, 2013 Settlement Agreement?
1005.          **MR. HARRIS:** I vaguely recall that issue arising.
1006.          **MR. SMITH:** And that's all I need for our present purposes, sir.
1007.          The Settlement Agreement did deal with diversions, ARPs, and renewal rights, right?
1008.          **MR. HARRIS:** Correct.
1009.          **MR. SMITH:** And it actually ended up dealing with them in a manner different than what the Board approved in RH-001-2013, right?

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1010.           **MR. HARRIS:** I don't believe that it was materially different. I look to my panel members but what the NEB's decision was in RH-001-2013 was that there would be no further restriction placed on alternate receipt points and diversions. And our Settlement Agreement, which became the basis for the RH-001-2014 proceeding, included refinement and clarity around what alternate receipt points and diversions were permitted. But I wouldn't characterize it as being substantially different from what resulted from the RH-001-2013 proceeding.
1011.           **MR. SMITH:** But part of the point of the APPrO motion and admonition which actually one of the Board Members on this Panel delivered to counsel in the piece, was that if you were off negotiating things like this that dealt with the subject matter then before the Board, they'd like to know about it promptly. Do you recall that?
1012.           **MR. HARRIS:** I do recall that, yeah.
1013.           **MR. SMITH:** And that that was because they had the appearance potentially of undermining the positions or contradicting the ones that were then before the Board for approval. Does that sound generally right?
1014.           **MR. HARRIS:** As I recall the Board's concern, it's that parties who were acting in opposition during a proceeding may have reached an agreement that put them no longer at opposition and sort of resulted in undermining the process designed around opposing parties.
1015.           **MR. SMITH:** And that's fair, sir. I accept that qualification for sure.
1016.           Now again though, throughout all this coming and going of tariff amendments, tolling amendments, it was pretty tough to predict outcomes, right?
1017.           **MR. HARRIS:** I would agree with that.
1018.           **MR. SMITH:** There was uncertainty?
1019.           **MR. HARRIS:** Correct.
1020.           **MR. SMITH:** And the Settlement Agreement was trying to deal with the uncertainty, amongst other things?

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1021.           **MR. HARRIS:** The Settlement Agreement was attempting to deal with a particular set of uncertainty that was created in the marketplace that we described in our application.
1022.           That uncertainty related to the fallout of the RH-003-2011 decision, our unwillingness to expand, resulting in further costs and less revenues and the response of the LDCs in the east to seek bypass and cancel agreements, which we were then in front of the OEB and NEB and the Ontario Superior Court debating.
1023.           **MR. SMITH:** Yeah, and we're going to get into some of that a little later, sir. I hadn't meant to get into the specifics at the moment. But having touched on them, it would be fair, I put it to you, to say that the settlement agreement was amongst things intended to address the uncertainties that affected access to the Mainline?
1024.           **MR. HARRIS:** It was intended to address particular uncertainties that affected access to the Mainline ---
1025.           **MR. SMITH:** Okay.
1026.           **MR. HARRIS:** --- that were very live issues at that day.
1027.           **MR. SMITH:** Okay. And they were intended to address uncertainties respecting TransCanada's ability to recover its investment?
1028.           **MR. HARRIS:** It was intended, yes, to address some of the uncertainties that affected our ability to recover our investment, correct.
1029.           **MR. SMITH:** And it was intended to address uncertainties regarding the level of tolls?
1030.           **MR. HARRIS:** All of those uncertainties that we were discussing at the time manifest themselves into uncertainty around the toll level when you're not sure whether there's going to be bypass or how the costs of the system are going to be recovered. All those uncertainties manifest themselves into the toll level. And on that plane I can agree with you.
1031.           **MR. SMITH:** Okay. And so then let's just get back on to the chronological track. The Settlement Agreement was ultimately reviewed in the RH-001-2014 proceeding, right?

1032.           **MR. HARRIS:** Correct.
1033.           **MR. SMITH:** And the NEB started off that process by deeming the Settlement Agreement to only constitute a common position shared by the signatories, it was not a settlement in the formal sense that would be binding on all the parties; is that fair?
1034.           **MR. HARRIS:** That's correct. Once it was heard it was heard as a common position among parties.
1035.           **MR. SMITH:** Right. And in fact, it was vigorously opposed, the Settlement Agreement in RH-001-2014 by some shippers?
1036.           **MR. HARRIS:** It was opposed by some shippers, correct.
1037.           **MR. SMITH:** And in fact the Settlement Agreement was presented as a package deal, right? The implication of that is it was all or nothing, if the NEB didn't approve exactly what TransCanada had proposed as supported by Union and others that there might be problems in carrying out the balance of the agreement, fair?
1038.           **MR. HARRIS:** I don't know if this is an important distinction but it was a package agreement amongst the parties to the settlement to the extent that the NEB decided something that differed from that. The parties to the settlement had the opportunity to decide if that constituted an acceptable decision such that the settlement would live on and those settled terms would persist.
1039.           **MR. SMITH:** Fair enough. But STS and the STS application before the Board now is not presented in that fashion. You accept that the NEB could alter or reject or vary any or all aspects of the changes proposed by TransCanada?
1040.           **MR. HARRIS:** Yes, I do.
1041.           **MR. SMITH:** Now could I ask you, sir, to please turn up the RH-001-2014 decision? And I'm looking at page 14. Just let me know when you have it there, sir.
1042.           **MR. HARRIS:** I think we have it but ---



1043. **MR. SMITH:** Thank you.

1044. **MR. HARRIS:** --- we don't recall the page.

1045. **MR. SMITH:** It's 14, "Views of the Board." And to provide the context, this was chapter 3, "Contract renewal provisions." This had to do with the term up. And I am just wanting to discuss very briefly the Board's observations. And I would start at the top of the page; just follow along with me if you would.

*"The Board recognizes that TransCanada is likely to issue term-up notices for one or more proposed Mainline projects soon after the requested term-up provision comes into effect. The Board recognizes that 60 days is a relatively short amount of time for some shippers to make decisions for contracts that extend several years into the future. Accordingly, the Board expects TransCanada to give shippers more than 60 days' notice whenever possible."*

1046. Continue along, sir.

*"Shippers who require more than 60 days to make such decisions will need to begin their decision-making prior to the term-up provision notice being issued by TransCanada. Accordingly, the Board has decided that the term-up provision will come into effect on 30 March 2015. If TransCanada issues a term-up notice on that date, shippers would have to make contracting decisions by the end of May 2015. If this scenario materializes, shippers will have had five months to prepare for this decision. The Board finds this to be reasonable."*

1047. Do you see that?

1048. **MR. HARRIS:** I see that.

1049. **MR. SMITH:** Now, the Board in fact had issued a decision with reasons to follow a littler earlier, right, providing notice to the parties?

1050. **MR. HARRIS:** That's correct.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1051.           **MR. SMITH:** And can I put it to you subject to check that was at the end of November 2014, November 28<sup>th</sup> to be exact?
1052.           **MR. HARRIS:** I recall that.
1053.           **MR. SMITH:** And so the five months the Board was talking about was calculated from the release of the reasons for decision but shippers had notice that those changes and the specifics would in fact be implemented, and that notice was effectively six months; is that fair?
1054.           **MR. HARRIS:** Correct.
1055.           **MR. SMITH:** Okay. Now, in fairness to you, this is term-up that I'm dealing with, right, term-up of an existing contract under an existing tariff, right?
1056.           **MR. HARRIS:** That's correct.
1057.           **MR. SMITH:** So the decision that the shipper was having to make was whether or not simply to extend an existing contract that it knew about the terms and conditions, it was familiar with. It was not having to make a decision as amongst a number of different changes with, you know, elections and conversion options, fair?
1058.           **MR. HARRIS:** That's true. Although if we're comparing to STS, I'd note that shippers have had the application since February to consider the potential elections that they would make. And we note that in IR responses shippers have indicated some preliminary idea of how they would elect and so in that case I believe that 60 days, or if the Board wishes, a little longer is sufficient.
1059.           **MR. SMITH:** Thank you, sir. I am aware of your position. But you've stipulated earlier that the Board could approve, reject, or vary any or all of the specific proposals, and how well they fit back together and affect any individual shipper would still have to be determined by the shipper, and for that matter by TransCanada, fair?
1060.           **MR. HARRIS:** That's fair.
1061.           **MR. SMITH:** Okay.
1062.           **MR. HARRIS:** And that would be, I believe, a consideration for the

Board in this decision.

1063.           **MR. SMITH:** Okay. Now in fairness to TransCanada, you had in your application adopted a similar half-year notice approach, had you not? Would you like me to give you a specific reference?
1064.           **MR. HARRIS:** That's correct. At the time of the application we asked for a decision by September, and now clearly as we're in September now that's not going to happen.
1065.           **MR. SMITH:** Okay.
1066.           **MR. HARRIS:** Still, if we were to receive a Board decision say -- well, if we were to wrap up this hearing by the end of this month we could possibly receive a Board decision this calendar year which would then give over 90 days before implementation, April 1.
1067.           **MR. SMITH:** Yeah, we're going to get into some of that, sir. But I just wanted to establish clearly on the record here that in your transmittal letter dated February 18<sup>th</sup>, 2016, which is Exhibit A75561-1, that in the fourth paragraph; I quote:
- "TransCanada requests the Board to render a decision with respect to the Application by September 30, 2016 such that the changes would be implemented April 1, 2017, which coincides with the start of the storage injection season."*
1068.           Fair? That's correct?
1069.           **MR. HARRIS:** That's correct.
1070.           **MR. SMITH:** And you repeated that or took the same position in your -- in the -- oh, it's the -- in the body of the application, section 4.0 Implementation, at page 37; isn't that correct? I'd like to ask you to turn to that, if you would, page 37 of your application. Just let me know when you have it sir, please.
1071.           **MR. HARRIS:** I have it.
1072.           **MR. SMITH:** And what I'm looking at is, starting on line 1, I think it

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

virtually repeats the same words. so I won't read them out again.

1073. It talks about aligning with the start of the summer injection season, and then where I wanted to pick up again, a Board decision is requested to be issued on or before the end of September 2016. This timeline will allow for an election process that permits shippers to fully assess their alternatives and adapt to the new STS environment and provide sufficient lead time to adapt computer systems, right?

1074. **MR. HARRIS:** I see that.

1075. **MR. SMITH:** The proposed implementation date is reasonable, as it would occur approximately half a year following issuance of a Board decision, more than a year after the filing of the application and over two years following the commencement of consultations on STS amendments, right?

1076. **MR. HARRIS:** That is our position.

1077. **MR. SMITH:** And is it -- in fairness, is it still your position that it would be reasonable to give shippers six months to deal with whatever comes out of the Board's decision, which none of us can really guess about right now? We have to wait to see what they say, right?

1078. **MR. HARRIS:** I'm afraid that's not a yes or no for me. The -- in our view, if the Board were to approve the application as filed, shippers would have had sufficient time to consider, and I think even reasonably expected to have considered how they would adapt to that world and what elections they would make. And in that case, certainly an April 1, 2017 implementation date would be reasonable.

1079. We recognize that that might not be something that the Board approves ultimately. If we were to have implementation on May 1, we could figure out a way to accommodate that by allocating injections that occurred from April 1 to May 1 in some fashion. So there's nothing particularly magical about April 1 except for that it does align with the start of the summer injection season and we feel it's reasonable.

1080. **MR. SMITH:** Thank you, sir. And would you agree that the decisions that shippers must make in conjunction with the proposed changes to the STS service are more complex than the simple decision whether or not to

extend a contract under the term-up provisions?

1081. **MR. HARRIS:** I would agree with that. There are more variables.

1082. **MR. SMITH:** Thank you, sir.

1083. Let me then shift a bit. On page 37 -- and part of the reason I insisted on reading in the bit from the transmittal letter, sir, was again this alignment with the start of the summer injection season.

1084. Does it remain TransCanada's position that any changes to STS must be implemented prior to the start of the summer storage injection season? That would be in April of any given year.

1085. **MR. HARRIS:** I don't believe so. I think there's a certain logic around that in terms of having an opportunity to build up a balance that you can use over the winter season. But as I mentioned, if the Board were to determine another date, I think that things could be done to accommodate that.

1086. **MR. SMITH:** Well, and I think this is kind of important, sir. Can you point -- sorry, I see you and Mr. Schultz are conferring. Did you want to add something?

1087. **MR. HARRIS:** No.

1088. **MR. SMITH:** Okay. So could you just point to where in the record you discuss the added complication associated with implementing far-reaching changes to an STS storage service in the middle of the storage cycle?

1089. **MR. HARRIS:** I don't think we have adduced evidence to that effect.

1090. **MR. SMITH:** That would be my point, thank you.

1091. And sir, your preference clearly is to have these kinds of changes implemented prior to the injection season, fair? That's your preference?

1092. **MR. HARRIS:** Well, I think there's a certain logic to it because it's a seasonal service. So beginning at the beginning of the summer season or the winter season are most logical. However, starting at the beginning of the summer season allows for an opportunity to build up the balance before the winter season.

1093.           **MR. SMITH:** Well, if we miss the April 1, 2017 date, wouldn't it make more sense, sir, to slip the implementation of the changes until April 1 of 2018?
1094.           **MR. HARRIS:** Well, there's one aspect to that proposition that concerns me the most and that's that we have a review of tolls coming up for the period 2018 to 2020. I think of paramount importance is whatever is approved that we have the election process in advance of that time period so that we understand how that factors in to the determination of tolls for the 2018 to 2020 period.
1095.           So I do believe we should be implementing before that period starts and I think that although our preference is for April 1 of 2017, should the Board choose April 1 of 2018, I suppose the consequence of that would be that we continue with an unjust and unreasonable service, in our perspective, for an additional year.
1096.           **MR. SMITH:** Okay, fair enough and I understand your position on the justness and reasonableness of the current service.
1097.           So you've drawn into play the mid-settlement term "toll resetting". I'm not saying it very well. I'm not sure how you'd refer to it.
1098.           **MR. HARRIS:** Yeah, we refer to it -- I believe the Board's words were "review" and so we call it a "toll review".
1099.           **MR. SMITH:** Fair enough. And your concern is that the elections be known prior to making that application, fair? That's what you said?
1100.           **MR. HARRIS:** That is one concern, yes.
1101.           **MR. SMITH:** Okay. But that's the concern that you just registered?
1102.           **MR. HARRIS:** I meant to register two. One is that we should have the election process wrapped up so that we understand what the implications are for that 2018 to 2020 toll period, and the other is that we effect change sooner rather than later to address what we consider to be a serious problem with the service.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1103.           **MR. SMITH:** Okay. And I just want to isolate on the logistical concern. When is it -- as I understand, the toll review application dealing with tolls 2018 to 2020, that must be filed by the end of 2017; is that fair?
1104.           **MR. HARRIS:** That was the Board's direction, yes.
1105.           **MR. SMITH:** Right. And do you have a date in mind as to when you might be filing that?
1106.           **MR. HARRIS:** I'm afraid not. I would hope that it's in advance of that date, long enough that we can review and discuss before January 1 of 2018.
1107.           **MR. SMITH:** Okay. But on that basis, even if a longer notice period or the six-month notice period the Board thought was appropriate in the context of things like term-ups, you'd still have your election information and conversion information known in time to factor it into that filing; isn't that true?
1108.           **MR. HARRIS:** Mr. Smith, if your question is if we implement April 1 of 2018 but we hold the election process well enough in advance of filing for our toll review, would we have the information we need for our toll review? I think the answer to that is yes.
1109.           **MR. SMITH:** Thank you.
1110.           Now, let's deal with kind of the -- this is boring stuff, Mr. Harris, but I know that you've had to deal with these challenges that are logistical and that's really what I'm trying to probe you on here. The decision, after it's released, you're going to have to evaluate it -- TransCanada is, right? Because you don't know what you're going to get back.
1111.           **MR. HARRIS:** We'll need to read it, yes.
1112.           **MR. SMITH:** You'll need to read it. And the amount of time you may need to evaluate it is going to depend on the extent to which perhaps it's been varied from what you proposed; is that fair?
1113.           **MR. HARRIS:** The amount of time it takes just to read it won't be substantially different. The amount of time it takes us to react could vary.
1114.           **MR. SMITH:** Okay. And then you would initiate the election

- process, right?
1115.           **MR. HARRIS:** Yes.
1116.           **MR. SMITH:** I'm going to go through this step-by-step if it helps you.
1117.           **MR. HARRIS:** Well, let me just be clear that we're prepared to issue the election notices on very short order upon receiving the Board's decision.
1118.           **MR. SMITH:** I understand. And all I'm trying to do is to develop an order of magnitude, how long this process might reasonably be expected to take. And you've stipulated that you'd give shippers at least 60 days to make elections and return the forms, right?
1119.           **MR. HARRIS:** That's correct.
1120.           **MR. SMITH:** And then after the 60 days you have to process the elections and issue contracts to be signed and so forth; is that fair?
1121.           **MR. HARRIS:** That's correct, yeah. There is some paperwork that's required.
1122.           **MR. SMITH:** And all I'm trying to do, sir, is to get to the point where from the date the Board issues its reasons for decision, realistically it's not going to be 60 days before you get contracts signed back from shippers; it's probably more like 90 to 120 days. Is that fair?
1123.           Because it's going to take you a bit of time to assess it; maybe there's some differences in what you'd requested and what was approved. You then have to issue the elections; shippers have to look at them. We're going to get into the conversion process here in a minute. But then you will have to issue contracts and leave a little bit of time for those to be signed.
1124.           **MR. HARRIS:** I think this is an important consideration for the Board, and it depends on their decision. If the decision is to approve the application as filed or substantially as filed, I think we would have little difficulty implementing it with not many days on addition to the 60.
1125.           We could -- within a week, we would have issued our election notices.



**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

Upon the receipt, it would probably take less than a week to have contracts that reflect the result. So maybe the 60 days is in fact 70 days, but if we have the Board's decision by the end of this calendar year, I still think April 1, 2017 is very much workable and doable.

1126.           **MR. SMITH:** The Board's normal cycle for entering decisions on applications like this involving a public hearing is usually 90 days from the close of the record, more or less.

1127.           **MR. HARRIS:** I believe they have a service standard to get 80 percent of their decisions out within that timeframe.

1128.           **MR. SMITH:** Thank you, sir. And that would take us -- well, I'm just trying to think about that, so if they really worked hard right around Christmas, then we might be able to get it out before the end of the year, but otherwise, it might slip into early January; is that fair?

1129.           **MR. HARRIS:** You know, I feel like I'm being asked to put myself in the Board's shoes and it really depends on what the Board's considering in terms of its decision in this case.

1130.           **MR. SMITH:** That's fine, sir. Now, let's just talk about the conversion process and how it fits into this post-decision period. As I understood it -- and I'm parsing page 38 of the application. You said,

*"While not part of the election process, to the extent a shipper may wish to convert an STS contract to FT, TransCanada would consider such requests prior to the end of the election process and may allow such conversions absent any applicable capacity constraints."*

1131.           Fair?

1132.           **MR. HARRIS:** That's correct. The record has evolved a little bit from this point in time ---

1133.           **MR. SMITH:** Right.

1134.           **MR. HARRIS:** --- in that we had requests from Enbridge, Union, and I believe GMI asking how that process would work, which led us to believe that

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

we should probably be a little bit more specific in how that process would work, which we described in the response to Enbridge 1.24.

1135.           **MR. SMITH:** Exactly. Okay, and so what you -- and again, I'm just parsing what's there; I'm not going to go through all the turgid details -- but basically what you appear to be trying to do is to parallel track the conversion process with the election process; is that fair?
1136.           **MR. HARRIS:** No, we meant to put them in a sequence, so we thought that the first 30 days would be consumed by a process where shippers could elect to convert their STS withdrawal to FT, and that the next 30 days would be the elections with respect to STS other than conversion to FT, although a shipper, if they had no intention to convert their STS withdrawal to FT could use that entire 60 days or, you know, respond to our notification on Day 1 if they chose.
1137.           **MR. SMITH:** And Mr. Harris, maybe it's semantics, so I'll just try and make sure that we're on the same page here -- when you said at least 60 days, you'd give parties at least 60 days to respond to the election, the election notice would go out, the conversion process would start at the same time, and the conversion process, which I understood to be roughly 30 days would take place at the front end of the election process, but within the same 30-day -- sorry, the same 60 days? It wasn't like you added 30 days to 60 days; is that fair?
1138.           **MR. HARRIS:** That's correct, and it would depend on the shipper. So you may have a shipper with no intention of converting their STS withdrawal to FT, who receives their election notice and says, "I'd like to maintain all the service I have today, please," right? And -- or you may have another shipper who says, "I'd like to convert some of my STS withdrawal to FT and see how that shakes out initially, and then make my further elections after that."
1139.           **MR. SMITH:** Now, one of the things that you clarified in the context of the response to Enbridge and I believe referenced to it as well in a -- in some other spots, but there is the potential for a pro-rating of the available capacity in connection with conversions, right?
1140.           **MR. HARRIS:** There is, but I would like to add that I think as the records evolved, it shed a little bit of light on that as well in that we would be able to, if we received -- let me back up. If all of our STS shippers in the triangle wish to convert their STS withdrawal to long-haul -- or sorry, to FT service ---

1141. **MR. SMITH:** Right.

1142. **MR. HARRIS:** --- we would have been able to accommodate the large majority of that.

1143. However, because we've seen Union's IR responses where they say, "If my elections -- well, my elections as I understand them now might be to take about 150 some TJs of capacity and turn only about 40 of that into FT service" -- tells us that if Union were to do that and everybody else were to request to convert all of their STS withdrawal to FT, that we could accommodate all requests.

1144. **MR. SMITH:** Right, but in fairness to Union, they predicated their answer to your IR on the basis that this is very preliminary. They really would have to see the full decision and what the Board had done on the various -- on a variety of fronts, right?

1145. **MR. HARRIS:** That's correct.

1146. **MR. SMITH:** Okay, and so the possibility of pro-rationing is nevertheless there?

1147. **MR. HARRIS:** I consider it slim, but it is there.

1148. **MR. SMITH:** Okay. And the -- let me then ask you -- well, there's sort of two things that come from that, sir. The first one is that -- let's take a half step back. You understand that the LDCs feel fairly strongly about their STS service because it's pretty critical to balancing their loads, particularly during peak periods; is that fair?

1149. **MR. HARRIS:** That's fair.

1150. **MR. SMITH:** And that they really cannot leave themselves exposed on the ability to meet those peak day requirements, fair?

1151. **MR. HARRIS:** Absolutely. That's -- I understand it. Job number one of a LDC.

1152. **MR. SMITH:** Okay. Now, so if a shipper entering into this conversion process thought that there was the -- well, if there was a potential for

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

pro-rationing, what I'm really trying to say -- and I'm not saying it very well, Mr. Harris -- is if a shipper was pro-rationed, couldn't get all the FT that they had indicated they would like to have, that could affect some of their other choices, right?

1153.           **MR. HARRIS:** That's true. I do think it's a slim chance that that would happen, but that could happen, where then they would have maybe made other choices, depending on whether they were able to get all of the long-haul FT that they chose.
1154.           **MR. SMITH:** Okay and so that's part of the reason why you had the conversion process at the front end of the overall election process? Is that fair?
1155.           **MR. HARRIS:** That's correct.
1156.           **MR. SMITH:** Okay. Now I have a technical question, and if you'd listen carefully, this is of concern to Union. If a shipper has a certain amount of STS and wants to convert it all to FT, for example, but only half is available because of existing capacity limitations, does the shipper get the pro-rated FT -- that is, that which you are able to provide through existing capacity -- and still retain the remainder of the existing STS that it had indicated it wanted to convert?
1157.           **MR. HARRIS:** It was a long question, but I believe the answer is yes.
1158.           **MR. SMITH:** Thank you very much, sir. So -- and again, to make it clear if I've confused it, the shipper need not be concerned that it would lose its remaining STS entitlement in the event of a pro-rationing?
1159.           **MR. HARRIS:** No, absolutely not.
1160.           **MR. SMITH:** Okay.
1161.           **MR. HARRIS:** The intention behind the implementation process is to find something that works for everybody that causes a smooth transition, that causes no gaps in the ability to serve markets.
1162.           **MR. SMITH:** Now, in that same Enbridge response to which you referred, you indicated that the term for converted FT would be the same as the remaining term under the STS contract, right?

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1163. **MR. HARRIS:** That sounds right. I'm just trying to find it here live.
1164. **MR. SMITH:** I'll give you a second if you want to turn it up.
1165. **MR. HARRIS:** That's correct, I see that.
1166. **MR. SMITH:** Okay. Now, it is true that not a single shipper on your system, STS or otherwise, requested the changes to the STS service?
1167. **MR. HARRIS:** I believe that's clear on the record.
1168. **MR. SMITH:** And since it was TransCanada itself that initiated these changes in the absence of shipper complaints, shouldn't the converted FT term remain the same whether or not new facilities are required?
1169. **MR. HARRIS:** If a party is converting STS withdrawal to FT to the extent that we allow that, we would be allowing that because it does not require new facilities.
1170. So I think there might be a bit of a bust in the question in that it implies that at times that could cause new facilities where the point of the allocation is to ensure we're only allocating the conversion from STS withdrawal to FT to the extent we can do so ---
1171. **MR. SMITH:** Okay.
1172. **MR. HARRIS:** --- with our existing facilities.
1173. **MR. SMITH:** All right. And that's a fair stipulation, sir, and I'm sorry if I hadn't made it clear. I do understand that if there's existing capacity the converted FT term is the same as the remaining term under the STS contract, fair? That's for existing capacity.
1174. **MR. HARRIS:** Correct.
1175. **MR. SMITH:** Your proposal is that if that occasions the need to expand then you're going to require that converting STS shipper to pony up a 15-year term?
1176. **MR. HARRIS:** So as I stated, we have enough capacity to allow the

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

vast majority of the STS withdrawal quantities that we have in the Triangle to convert to FT service.

1177.           If they all wanted to convert from STS withdrawal to FT service, we would not have enough capacity and we would not be able to accommodate all of those conversion requests. And if those parties still desired short-haul FT instead of STS service on that same path then we would need to expand, and that would entail a 15-year contract commitment, correct.

1178.           **MR. SMITH:** But, sir, and again I'll put the question to you basically on the equities. This isn't incremental capacity that a shipper requested. This wasn't something that any of the shippers requested. This is something TransCanada unilaterally has proposed and sponsored, and I put it to you that it's not fair under those circumstances to impose on that shipper who might, you know, have triggered an expansion because it exercised the conversion right that it should not be required to sign a 15-year FT term. It should be instead commensurate with a remaining term under the STS contract.

1179.           Could you respond to that please, sir?

1180.           **MR. HARRIS:** So again, Mr. Smith, we have a large majority -- sorry, we could convert a large majority of these STS shippers from their withdrawal to FT service if they wish. It's true that the application was put forward by us.

1181.           If the shippers in their response to the application and through the election process choose FT service over STS service that would drive the need for expansion if it was all of the STS withdrawals that wished to convert. I don't think that's a likely scenario.

1182.           But if that is the scenario, that's the result not only of the application but of the shippers' choice to move from STS entirely to FT service.

1183.           **MR. SMITH:** So it's their voluntary choice that triggered the requirement to have to sign a 15-year contract where the remaining term may be less?

1184.           **MR. HARRIS:** In this instance, which has a very slim probability attached to it, yes.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1185. I'd like to add that we recognize that the application has impacts on our customers. We don't take those impacts lightly. We feel, however, that those impacts are justified by the application and by the standardization of this service so that it's something that is fair, transparent, applied the same to everybody, and doesn't have sort of unjust discrimination and unique attributes to it.

1186. **MR. SMITH:** Thank you, Mr. Harris.

1187. Mr. Chairman, I don't know when you were planning to take your 10-minute break. I'm about to move into a different area and it's going to take more than 10 minutes. I don't know which clock to follow here.

1188. **THE CHAIRMAN:** I'm following that one over there, which seems to be the same as that one.

1189. **MR. SMITH:** A shade different, that one is ---

1190. **THE CHAIRMAN:** What's your preference?

1191. **MR. SMITH:** I'd prefer to -- if you're going to take a 10-minute break in the near term I'd rather take it now. My understanding was that you had a constraint at shortly after 3:00.

1192. **THE CHAIRMAN:** That's correct, at 3:15 we have to leave.

1193. **MR. SMITH:** Okay.

1194. **THE CHAIRMAN:** So if your preference is to take it now we'll take it now.

1195. **MR. SMITH:** Thank you, sir.

1196. **THE CHAIRMAN:** And on the clock I'm looking at that's 10 past 2:00.

1197. **MR. SMITH:** Thank you.

--- Upon recessing at 1:58 p.m./L'audience est suspendue à 13h58

--- Upon resuming at 2:13 p.m./L'audience est reprise à 14h13

**MATTHEW WHARTON:** Resumed, Sous le même serment

**GRANT KUNTZ:** Resumed, Sous le même serment

**JOHN J. REED:** Resumed, Sous le même serment

**ALEX HARRIS:** Resumed, Sous le même serment

**DAVE SCHULTZ:** Resumed, Sous le même serment

1198.           **THE CHAIRMAN:** Mr. Smith?

**--- EXAMINATION BY/ INTERROGATOIRE PAR MR. SMITH:**  
**(Continued/Suite)**

1199.           **MR. SMITH:** Thank you, Mr. Chairman.

1200.           Panel, and it's probably for you, Mr. Harris, when did TransCanada last file a cost of service and cost allocation study?

1201.           **MR. HARRIS:** I think that in fact is for Mr. Kuntz.

1202.           **MR. SMITH:** Oh, well, Mr. Kuntz?

1203.           **MR. KUNTZ:** I'm actually not aware of when the last time we would have filed a cost allocation study. I know that we did not file one for the RH-003-2011 proceeding in which there was a series of toll design matters that were discussed as part of that proceeding.

1204.           **MR. SMITH:** You are aware of the fact that TransCanada in the past has filed cost allocation studies in support of rate design?

1205.           **MR. KUNTZ:** Yes, I am aware that studies have been filed in the past. I just don't know when the last one is that has been filed.

1206.           **MR. SMITH:** Let me just ask you then, have you formulated a view as to whether you're going to file one when we come to the post-2020 segmentation application?

1207.           **MR. KUNTZ:** That decision has not been made yet.

1208.           **MR. SMITH:** Fair enough. But they have been filed in the past. And would it be fair to say that at least several such studies would have been filed during the period when STS was in existence?



1209.           **MR. KUNTZ:** My understanding is that STS has been in existence since 1975 so surely over the number of years there's been some cost allocation studies that have been filed to support the toll design.
1210.           **MR. SMITH:** Right. And part of the purpose of cost of service and cost allocation studies is to demonstrate that there's been no undue cross-subsidization as among shippers? That's kind of inherent in a Board finding of just and reasonable tolls; is that fair, sir?
1211.           **MR. KUNTZ:** Yeah, I think there's a number of purposes that such a study can serve; that would be one of them. I would say that's fair.
1212.           **MR. SMITH:** Okay. And so if the Board approved the resulting STS tolls, it would have arrived at the conclusion that there was no undue cross-subsidization, right?
1213.           **MR. KUNTZ:** Which time period would you be referring to, Mr. Smith?
1214.           **MR. SMITH:** Well, I'm saying that when the Board renders a decision on just and reasonable tolls, and approves the resulting tolls, they are determining that there has been no undue cross-subsidization as amongst the services then before the Board, right?
1215.           **MR. KUNTZ:** Just excuse me for one second.
1216.           I think generally that might be true, Mr. Smith, but in terms of STS, in terms of our understanding of the Board and its approval of tolls, it would be approving tolls on a just and reasonable basis going forward. I don't really think that, you know, there would be any sort of a reason for them to have to approve tolls on a retrospective or looking back in the past sort of basis, which I think was inherent in your question as well.
1217.           The other thing I think that's important to mention here is that the STS service largely, since 1975, has been sort of unchanged. It's been the same service and this is the first time that a comprehensive review of the service has taken place, which is underpinning our proposals.
1218.           **MR. SMITH:** Can you undertake to put on the record, sir, when

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

TransCanada last filed a cost allocation study in support of its rate design?

1219.           **MR. KUNTZ:** We can undertake to look into that, Mr. Smith.
1220.           **MR. SMITH:** Thank you, sir. And if you could give us a sense in the context of that if it was one -- if it had been done fairly regularly in that period, can you give us a sense of how frequently they had been filed?
1221.           **MR. KUNTZ:** We'll be as helpful as we can, Mr. Smith.
1222.           **MR. SMITH:** Thank you.
1223.           **THE CHAIRMAN:** Mme Comte?
1224.           **MR. SMITH:** Undertaking No. 1.
1225.           **MS. COMTE:** It will be Undertaking No. 1, U-1.

**--- UNDERTAKING NO./ENGAGEMENT No. U-1:**

*By TransCanada to look into when they last filed a cost allocation study of its rate design and how frequently they had been filed.*

1226.           **MR. SMITH:** Now sir, you had suggested that I was referring to retrospective Board findings about just and reasonable tolls. Sir, I put it to you that that's not what I was saying.
1227.           I was referring to the fact that the Board, in a decision like RH-003-2011 -- if they found the tolls at that time to be just and reasonable on a going-forward basis, the clear implication was that there was no undue cross-subsidization as amongst the services before the Board at that time and that there would be no unjust discrimination, otherwise they wouldn't be just and reasonable tolls; is that fair?
1228.           **MR. YATES:** Mr. Chairman, it strikes me that that's not really a proper question; it's asking the witness to speculate as to what the intention of the Board is in making its decisions. So I'd object to that question.
1229.           **MR. SMITH:** Mr. Chairman, I think it's a perfectly reasonable question. Speculating as to the Board's intentions -- when the Board comes out

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

with a decision that says that the tolls are just and reasonable, that stands for something. And I'm simply saying to the witness, who had agreed generally that it did stand for the proposition there was no undue cross-subsidization, that that's a perfectly legitimate question to put to these witnesses.

1230.           **MR. YATES:** Well, Mr. Chairman, I would reiterate the objection and I'd offer this comment. There are all kinds of decisions that are issued by the Board that do not deal with specific issues, STS being one of them. There are all kinds of decisions that the Board has made that involve approving STS tolls which did not involve any kind of review of STS service or the cost allocation to STS service.

1231.           So to try to get the witness to draw from the existence of a decision the conclusion that the Board had made a specific determination that there was no undue cross-subsidization is, I think, an improper question. It's calling for speculation as to what the Board may have had in its mind when it went through the process of approving the tolls that were before it in that particular case.

1232.           **THE CHAIRMAN:** Mr. Smith?

1233.           **MR. SMITH:** I have nothing to add, sir.

1234.           **THE CHAIRMAN:** If you could move on, Mr. Smith.

1235.           **MR. SMITH:** Thank you, sir.

1236.           Did you -- do you have the aid to cross that I had circulated in advance of your appearance, gentlemen ---

1237.           **MR. KUNTZ:** Yes.

1238.           **MR. SMITH:** --- that being the excerpts from the TransCanada PipeLine's application for approval of the Mainline 2013 to 2030 settlement, December 2013? Do you have that, gentlemen?

1239.           **MR. KUNTZ:** Yes.

1240.           **MR. SMITH:** And Mr. Kuntz, it's probably you that I'm discussing this with. This is TransCanada's evidence.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1241.                Perhaps I should make some copies available for the Panel. I don't know if the Panel has it. I had circulated this as well electronically on Sunday night to Ms. Audino and my friend.
1242.                Now, at page 4 of that evidence, lines 12 to 14 -- do you have that in front of you?
1243.                **MR. KUNTZ:** If you just give me a second. That's the paper page 4?
1244.                **MR. SMITH:** Yes, it is. You're going to have to use paper because these are excerpts so the PDFs won't line up, although the first couple might.
1245.                **MR. KUNTZ:** Okay, I have that page.
1246.                **MR. SMITH:** And I'm looking at lines 12 to 14.
- "TransCanada believes that the settlement is reasonable and in the public interest, and that the Mainline tolls that will result from approval of the settlement will be just and reasonable and not unjustly discriminatory." (As read)*
1247.                Do you see that?
1248.                **MR. KUNTZ:** Yes, I see that statement.
1249.                **MR. SMITH:** And what I'm focussed on is "and that the Mainline tolls that will result". That includes STS tolls?
1250.                **MR. KUNTZ:** Yes, that is correct. And I think it's also important to point out here, Mr. Smith, that there's nothing that TransCanada is applying for as per the proposed amendments that would change the tolls that are currently in effect.
1251.                **MR. SMITH:** Sir, we, certainly by my silence, will not agree with you but I think we'll take that up probably on Friday of this week in argument.
1252.                But I want to be very clear here, Mr. Kuntz, that TransCanada was saying that all the Mainline tolls that will result from approval of the settlement will be just and reasonable and not unduly discriminatory, not just some of them, right?

1253.           **MR. KUNTZ:** Yes, it says the Mainline tolls and I think with that being the RH-001-2014 Application from which you are citing from it's important to point out that the context of that statement was within what was all proposed in that application.

1254.           **MR. SMITH:** Yeah.

1255.           **MR. KUNTZ:** And since then we've had a chance to conduct a review of the STS service and we've put forth the proposed amendments for it ---

1256.           **MR. SMITH:** Okay.

1257.           **MR. KUNTZ:** --- as contained in our application. And that is has happened since the RH-001-2014 Application.

1258.           **MR. SMITH:** And then on page 5, lines 3 through 6:

*"The application has been developed and organized to produce adequate information on the public record for the Board to understand the basis for the settlement, assess its reasonableness, and determine that it is in the public interest, and that the resulting tolls are just and reasonable and not unjustly discriminatory." (As read)*

1259.           Do you see that?

1260.           **MR. KUNTZ:** Yes, I see that as well.

1261.           **MR. SMITH:** And that includes all the schedules, all the calculations, everything that went into the application including the schedules and calculations that were part and parcel of the Mainline Settlement Agreement, right?

1262.           **MR. KUNTZ:** That is correct ---

1263.           **MR. SMITH:** Yeah.

1264.           **MR. KUNTZ:** --- as well as the company's view that there is nothing in the RH-001-2014 Application, the settlement to it, or in the Board decision that would preclude the company from applying for a tariff amendment from time to

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

time for good and valid reasons. And that's what we feel is the case with our proposed amendments for STS.

1265.           **MR. SMITH:** And then again over on page 14, line 7 to 8, and I quote:

*"TransCanada and the LDCs believe that the Settlement is in the public interest and will result in tolls that are just and reasonable and not unjustly discriminatory." (As read)*

1266.           Right? That's all the tolls, not just some of them.

1267.           **MR. KUNTZ:** If that's paragraph 8 that you're referring to, yes, I ---

1268.           **MR. SMITH:** That's line 7 and 8 on page 14.

1269.           **MR. KUNTZ:** Just let me find that.

1270.           **MR. SMITH:** Page 14 of 94.

1271.           **MR. KUNTZ:** Okay, I have the page, Mr. Smith.

1272.           **MR. SMITH:** Okay. And that's again, there's no caveat; there is no exception. It's all the Mainline tolls, not just some of them, right?

1273.           **MR. KUNTZ:** That is correct. And as in the context of everything that was contemplated in the RH-001-2014 Application.

1274.           **MR. SMITH:** Okay. And then over on page 85 -- just let me know when you're there -- I'll draw your attention to line 19. Do you have it, sir?

1275.           **MR. KUNTZ:** Just one second, Mr. Smith.

1276.           **MR. SMITH:** Yeah, you bet.

1277.           **MR. KUNTZ:** Yes, I have that page.

1278.           **MR. SMITH:** And the part I wanted to discuss with you was:

*"TransCanada's submission is that the Settlement will result in*

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

*tolls that are just and reasonable and not unjustly discriminatory. It is an agreement that represents a balance of interests that benefits both TransCanada and Mainline shippers, and will provide long-term certainty and stability regarding market access and Mainline tolls.” (As read)*

1279.           You see that?
1280.           **MR. KUNTZ:** Yes, I do see that quotation.
1281.           **MR. SMITH:** Okay. And that would be all Mainline tolls, including STS, not just some of them, right?
1282.           **MR. KUNTZ:** That’s ---
1283.           **MR. SMITH:** “...long-term certainty and stability...”
1284.           **MR. KUNTZ:** Correct. And once again I’ll just point that that’s in the context of the RH-001-2014 Application and all of the issues that were considered in it.
1285.           And also I think it’s fair to point out that the stability, the predictability of tolls that is referred to in that quotation is expected to continue with the current proposed STS amendments as the current tolls that are in effect and were made final as per Order TG-2011-15 and will not change as a result of what we’ve proposed.
1286.           **MR. SMITH:** And I think it’s fair to point out, sir, just so that we’re not missing it, that the stated balance that this Agreement reflected included benefits to Mainline shippers respecting long-term certainty and stability of Mainline tolls. That’s long-term, right?
1287.           **MR. HARRIS:** Mr. Smith, I think it’s really ---
1288.           **MR. SMITH:** Could I just -- I don’t mind if you join in after, Mr. Harris; I’d just like to have Mr. Kuntz’s answer. I was discussing it with him.
1289.           **MR. KUNTZ:** That was an element of the application, yes.
1290.           **MR. SMITH:** Thank you.

1291. Mr. Harris, you had something you wanted to add?
1292. **MR. HARRIS:** I think it's important here when we're pulling a few words of a section of the application that's towards the end and is sort of trying to wrap up and might be at sort of a summary level here.
1293. The context that we're talking about here is creating certainty and stability in light of the great deal of uncertainty and instability that was created by the environment leading up to that application.
1294. There are a number of things that would lead you to conclude, if you read the entire record of the proceeding, that there was nothing inconsistent about this application or the Board's decision to our application now to amend the STS service and the tariff or to implement it during this period before 2018 or during the 2015 to 2020 period.
1295. **MR. SMITH:** Mr. Kuntz, could you turn to page 87, please? Under the heading "8.2 Long Term Certainty and Stability".
1296. **MR. KUNTZ:** I have that.
1297. **MR. SMITH:** If you'd cast your eye down to line 27 where it starts:  
  
*"In addition to certainty and flexibility with respect to access to transportation on the Mainline, the Settlement will benefit shippers by bringing certainty and stability to tolls."* (As read)
1298. You see that part?
1299. **MR. KUNTZ:** Yes, I do.
1300. **MR. SMITH:** And then it goes on to describe what certainty and stability of tolls meant to shippers as a benefit, and I quote:  
  
*"Tolls will remain stable at current Compliance Toll levels until 2015 and then stable for a further six years at the levels negotiated in the Settlement."* (As read)
1301. You see that?



1302.           **MR. KUNTZ:** I see that as well.
1303.           **MR. HARRIS:** Mr. Smith ---
1304.           **MR. SMITH:** And that includes STS tolls, Mr. Kuntz?
1305.           **MR. KUNTZ:** Once again, as alluded to by my colleague Mr. Harris, that was in the context of everything that was applied for in the RH-001-2014 Application. Yes, that would include the STS tolls as well.
1306.           However, you know, since then there was a decision that was rendered by this Board on the RH-001-2014 Application. There will be a toll rebase for the '18 to '20 period.
1307.           **MR. SMITH:** Right.
1308.           **MR. KUNTZ:** And we also feel that there's nothing as a result of that decision that, like I said, would preclude the company from applying for tariff amendments from time to time for good and valid reasons. And so without tolls changing through until the end of 2017, the proposed amendments can be incorporated without a change in tolls.
1309.           Therefore, the stability and predictability as envisioned in the context of everything in RH-001 of 2014 could still be accomplished and in accordance with the decision incorporated in the rebase of tolls for the '18 to '20 period.
1310.           **MR. HARRIS:** Mr. Smith, I'd like to add a couple of points to Mr. Kuntz's response.
1311.           There is a few things that you would notice absent from the decision as well and that's that there is no change to the long-standing practice that tariff amendments can be sought from time to time. And in fact, you'll see a couple of things that are completely contrary to that.
1312.           You'll see an attachment to it; it's the settlement, which formed the basis for the common position among parties which in section 4.2 states that there may be other elements of disagreement that can be brought forward from time to time by the parties. And I'd be happy to bring that up and walk you through that.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1313.           There's also several places on the record, as we pointed out in our reply evidence, where we use different wording such as in our opening statement where we said that the settlement promotes toll stability. And the reason for that is that we were in the context of that very uncertain environment and it's within that context that we make these remarks.
1314.           **MR. SMITH:** How is a 330 percent increase in Union's total STS costs and an increase of 30 percent in Union's total TransCanada Mainline costs for a less flexible service consistent with a long period of stability and predictability which was supposed to have been the benefit it received under the RH-001-2014 decision?
1315.           **MR. HARRIS:** First off I'd just like to clarify that in Union's IR responses they specified their preliminary elections which resulted in an impact which was about half of their initial -- and that again that those are a very small portion of costs to their end-use customers. So those numbers quite inflammatory but they're in fact ---
1316.           **MR. SMITH:** I'm sorry. I just want to make sure I heard this. A very small impact on their customers?
1317.           **MR. HARRIS:** On a percentage basis, correct.
1318.           **MR. SMITH:** And what do you derive that evidence from?
1319.           **MR. HARRIS:** That is -- again I'm referring to Table 3-1 in our reply evidence where we converted the expected impact to the STS shippers into percentage impact of the revenue requirement. And I believe the impact was 3.6 percent for Union.
1320.           **MR. SMITH:** And that isn't something that you've verified with Union, what the actual impact is on their customers and how these costs are borne by those people in that part of the system that are most directly affected?
1321.           **MR. HARRIS:** That is simply a mathematical calculation using inputs provided to us by Union in the IR responses.
1322.           **MR. SMITH:** Sir, you've indicated again that there were no changed facts or circumstances which drove the filing of the application; this was rather a re-evaluation by TransCanada?

1323.           **MR. HARRIS:** I think that's a fair characterization.
1324.           **MR. SMITH:** Okay. So at the time of RH-001-2014 they were just and reasonable and as you sit here today they're not?
1325.           **MR. HARRIS:** As we stated earlier this morning, there was no date upon which we can say that the service became unjust and unreasonable. We had concern growing over a period of time, and beginning in say late 2014 and through 2015 we sort of formalized and crystallized our views on it to the point that we filed an application, this application, in February of '16. And by that point we, in order to do so, had reached the conclusion that the existing circumstance was unjust and unreasonable.
1326.           **MR. SMITH:** So just so I understand how things were supposed to work under RH-001-2014, if the shippers like a union or any of the other shippers determined that we just re-evaluated the extent to which we should have to bear, you know, some of the costs that were allocated to us in that settlement then we're perfectly at liberty to come in and have that changed?
1327.           **MR. HARRIS:** No, sir, we have a formal Settlement Agreement between my company and your client and two other LDC's. We feel that we're acting within the bounds of that Agreement. The Agreement itself specifies that there can be new matters brought before for instance the NEB and that those matters are separate from that settlement.
1328.           So I feel that the settlement created a framework, the RH-001-2014 decision created a framework, and within that framework we're creating or proposing a tariff change.
1329.           **MR. SMITH:** And the Board took note of the common position of the parties, rendered its own decision in the interests of stability and certainty, right?
1330.           **MR. HARRIS:** That's true. And they directed us also to continue to manage our system as we discussed this morning, which I assume that they didn't intend us to do with our hands tied behind our back and unable to change the tariff in the event that we found a serious concern with it.
1331.           **MR. SMITH:** Well, let's turn to the serious concerns. Are you

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

- suggesting that the proposed amendments to the STS services and tolls are critical to ensure the financial viability of the Mainline over the balance of the RH-001-2014 term, that is, to the end of 2020?
1332.           **MR. HARRIS:** No.
1333.           **MR. SMITH:** Are you suggesting that the proposed amendments to the STS services and tolls are critical to ensuring TransCanada's reasonable opportunity to earn a fair return over the balance of the RH-001-2014 term to the end of 2020?
1334.           **MR. HARRIS:** No, we are not.
1335.           **MR. SMITH:** You had filed information with respect to financial impacts upon TransCanada in response to Union 1.3. And I'm not sure you need to turn it up, sir. You had there, I believe, filed or made reference to the March 2016 surveillance report; do you recall that? Again, I'm not going to get into it in detail.
1336.           **MR. HARRIS:** Sorry, what was the reference?
1337.           **MR. SMITH:** Union 1.3.
1338.           **MR. HARRIS:** I believe I see that. It's in portion D and E of the response.
1339.           **MR. SMITH:** Right. And you have since filed a further surveillance report, Q2?
1340.           **MR. HARRIS:** Yes.
1341.           **MR. SMITH:** Is that on the record, sir?
1342.           **MR. HARRIS:** Not to my knowledge.
1343.           **MR. SMITH:** Would it be fair to say that the ROE that is reported in the Q2 Surveillance Report is slightly higher than the ROE that had been reported in the Q1 report? Subject to check, 11.1 percent versus 11.19 percent.
1344.           **MR. HARRIS:** I actually happen to have the 11.19 in front of me;

- that's correct.
1345.           **MR. SMITH:** Okay. I think with your stipulation, sir, I don't need to put the Q2 report on the record. Thank you.
1346.           Do you agree that significant changes to longstanding services and tolls should be designed to withstand the test of time?
1347.           **MR. HARRIS:** Yes. The tariff is never completed work but we certainly should create services that we feel are not going to be required to be changed any time in the near future.
1348.           **MR. SMITH:** In the near future. And segmentation has been approved in principle to be fully implemented by the end of 2020?
1349.           **MR. HARRIS:** I think I'd be careful about the wording. I don't recall the Board's exact wording in approving the concept of segmentation. I think that there is -- I think that that was approved, but there might have been some nuances to the Board's words in that respect.
1350.           **MR. SMITH:** You agree that segmentation has been approved in principle?
1351.           **MR. HARRIS:** Yes.
1352.           **MR. SMITH:** And you agree that there is to be an application filed which would implement segmentation in the post-2020 period?
1353.           **MR. HARRIS:** Yes. Exactly what looks like we do not know yet but that's correct.
1354.           **MR. SMITH:** And that's fine, sir, I'm not asking you exactly what it would look like. It's just that it is yet to come in the near future, fair?
1355.           **MR. HARRIS:** It is indeed something we need to address before 2021.
1356.           **MR. SMITH:** Well, it's going to take an NEB hearing likely. It's possible it might settle but if past is prologue that's not likely.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1357.           **MR. HARRIS:** You know, I don't want to -- I'm the Chair of the TTF and I don't want to in any way slag our abilities, but I'd say that it's possible that we will be here at the NEB to determine those matters.
1358.           **MR. SMITH:** Right. It would be pretty complex, be a pretty major hearing; wouldn't it?
1359.           **MR. HARRIS:** I do not know.
1360.           **MR. SMITH:** Okay. When would you expect -- so this is for a segmented system; the application would be starting January 1 of 2021, fair?
1361.           **MR. HARRIS:** Well, segmented system -- it depends what you mean by that. I mean, there's going to be segmentation as a concept of the development of tolls. I don't know what that looks like.
1362.           **MR. SMITH:** I'm not asking you, sir, what it would look like. I'm asking you what timing for the application.
1363.           **MR. HARRIS:** Sorry. Yeah, the timing was correct in your question, 2021.
1364.           **MR. SMITH:** Okay. So you're going to have to file an application well in advance of that in order to leave time for the hearing process, a decision, and implementation?
1365.           **MR. HARRIS:** That would be the objective, yes.
1366.           **MR. SMITH:** Right. And consultations, you, as the head of the TTF, would certainly want to have ample opportunity to consult with your shippers in advance of the filing?
1367.           **MR. HARRIS:** Yes.
1368.           **MR. SMITH:** And so would it be unreasonable to suggest that the consultations that would precede the filing might start as early as 2018 recognizing at the end of 2020 we're in the new world?
1369.           **MR. HARRIS:** You know, we haven't put our minds to that. I think a start in 2018 would make sense.

1370.           **MR. SMITH:** And so if the new STS changes only go into effect April 1, 2018 they'd almost immediately be disrupted by the changes necessitated by segmentation, right?
1371.           **MR. HARRIS:** I apologize; I was a year off. I was thinking we should at least start in 2019 because this settlement period ends at the end of 2020. So if we were to begin in 2019 it would leave a year or more to discuss and to have a proceeding. So I apologize for sort of correcting my previous answer. That I don't know necessarily whether coming to the TTF in 2018 is something we've decided yet.
1372.           **MR. SMITH:** Well, to put it to you, sir, if you need to have a new toll regime, a significant one for post 2020 period starting January 1 of 2021, you're going to want to have an application on file probably in late 2019 in order for the Board to schedule it, to have it decided, and then leave time for people to implement the changes; is that fair?
1373.           **MR. HARRIS:** That's fair. And so I think we should start our consultations at least in 2019, maybe sooner, but I don't ---
1374.           **MR. SMITH:** Okay.
1375.           **MR. HARRIS:** I just -- I don't know what else will be going on at the time and whether 2018 will make logical sense.
1376.           **MR. SMITH:** But the whole point to the discussion about the time to implement these new STS changes is that you're really running your currently proposed STS changes right into the middle of the entire discussion surrounding segmentation, sir; isn't that true?
1377.           **MR. HARRIS:** I would disagree with that completely. I mean, we would implement -- we're proposing to implement in April 1, 2017.
1378.           We believe we clearly established that there's a significant problem to be resolved. So to the extent that we have resolved that issue in advance of discussing the 2021-onward conversation, that would be one element that has been resolved and will create probably a better foundation for conversations about the 2021-onward period with less uncertainty.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1379.           **MR. SMITH:** When you said in response to my questions about changes to longstanding services and tolls should be designed to withstand the test of time, you indicated we shouldn't be making changes thereafter. And I think the term you used was the "near term". What did you mean by "near term"?
1380.           **MR. HARRIS:** What I mean is that you shouldn't foresee a certain need to change it in sort of a reasonable array of potential outcomes because you would not say, "I'm amending this service but I know I'll need to amend it in a couple more years." What we're saying is we should create something that makes logical sense based on the information we have available to us at this time.
1381.           **MR. SMITH:** Well, if you are making all these changes, the ones you're proposing now, and they're implemented in 2018, I put it to you that you're going to have some very major changes in the post-2020 period, which is within the near term. Isn't that true?
1382.           **MR. HARRIS:** I think baked into your question is the assumption that we'll be changing STS and I don't share that assumption.
1383.           **MR. SMITH:** Well, you've indicated to Centra that changes to STS are possible.
1384.           **MR. HARRIS:** When we said "possible" we meant possible as in anything is possible, not that we had some particular idea in mind of how that service would change and why.
1385.           **MR. SMITH:** But long-haul itself would change -- or at the moment three segments on the TransCanada system, right? Prairies, NOL, Eastern Triangle. Is that fair?
1386.           **MR. HARRIS:** For the purpose of depreciation that's correct.
1387.           **MR. SMITH:** Okay. And if you then have long-haul only within a zone, how are you going to work STS?
1388.           **MR. HARRIS:** Could you clarify what you mean by "within a zone"?
1389.           **MR. SMITH:** Well, the zone being the Prairies or the zone being the NOL or the zone being EOT. Doesn't that introduce complications about how



**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

you access storage, how you withdraw the volumes or inject the volumes? I mean, this is all going to have to be looked at again in the context of a segmentation, whether your proposal or alternative proposals by other shippers, right?

1390.           **MR. HARRIS:** It's going to depend on too many other things to say whether or not STS is going to need to change. What we'll have going into those discussions is a service that is understandable and principle-based going into those conversations. And we definitely won't have the confusion that we have from the current service today going into those conversations. And the other moving parts may mean that there's very little or no change to STS service post-2021. And I think that's a possible outcome as well.

1391.           **MR. SMITH:** Right. Wouldn't it be better to just wait and do it all at once ---

1392.           **MR. HARRIS:** Absolutely not.

1393.           **MR. SMITH:** --- with the benefit of a proper cost allocation study?

1394.           **MR. HARRIS:** No, absolutely not. We've had parties argue that there should be -- there's reasons to delay. We don't agree with the reasons to delay. We think that there is no reason to wait and substantial reasons to address the issue right now, those issues being the unjust discrimination that we see, the lack of transparency, the degree to which contracts are non-standard and provide unusual and different attributes to different shippers.

1395.           So absolutely not. I think it's better -- once we're here we've gone through all the collaborative effort we've gone through; we've gone through this entire proceeding up until all of us sitting in this room today. I think we should address it now.

1396.           **MR. SMITH:** And you're clear that the shippers who actually hold the service, just as fervently take the contrary position?

1397.           **MR. HARRIS:** That's true.

1398.           **MR. SMITH:** Thank you.

1399.           Mr. Reed, could you turn up your rebuttal and I'm looking at hard

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

copy page -- probably pages 3 and 4? But I'm really focused at the top of page 4. Just let me know when you have it.

1400. **MR. REED:** Yes, I have that.

1401. **MR. SMITH:** Now, to provide some context, the subheading under which the five bullets at the top of page 4 appear is whether or not you agree with the Habib evidence regarding cross-subsidization and the provision of STS; is that fair?

1402. **MR. REED:** Yes, that is the answer.

1403. **MR. SMITH:** And would it be fair to say that the discussion in those five bullets broadly relates to differential withdrawal and injection rates and pricing as well as flexibility and pooling and STS balances?

1404. **MR. REED:** Yes, I think it's fair to say it generally relates to those points.

1405. **MR. SMITH:** Okay. And would you agree that the introduction of STS balances was a relatively recent initiative?

1406. **MR. REED:** I think it was 11 year ago; is that right?

1407. **MR. SMITH:** Specifically reviewed and approved by the Board along with a number of other changes to STS service in 2005 pursuant to two TTF resolutions?

1408. **MR. REED:** Yes, that's consistent with my recollection.

1409. **MR. SMITH:** And so the matters that you identify with respect to STS balances, they're not an artifact of a very old contract; that's something to which all the shippers on the system and the Board recently turned their minds? Is that fair?

1410. **MR. REED:** I'm not sure I would completely accept that 11 years is recent, but I would agree that with regard to balances, that has developed since 2005.

1411. **MR. SMITH:** And can you tell us what goes into STS balances? It's

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

not just STS service, right? It's things such as diversions, STFT -- I don't know who on the panel could tell us what all that goes into STS balances, but there are other services involved. I see Mr. Wharton is reaching for the mic.

1412.           **MR. WHARTON:** Sure. So STS balances are calculated on a cumulative basis. It's basically your cumulative injections less your cumulative withdrawals. The injections include your regular FTI firm injections; your injection overruns; diversions from your long-haul FT contract that's held to the STS market location, if those are diverted into the storage location those count towards the balances; and then certain IT and STFT quantities nominated from the STS market to the storage location also count towards the balance.

1413.           **MR. SMITH:** So the STS balances really are not just an STS service feature; they are also affected by other TransCanada services, right? The ones you just noted.

1414.           **MR. WHARTON:** I would say to have an STS balance you need to have STS service. And if you do have STS service then those other features of, say, diversions from long-haul FT can count towards your balance.

1415.           **MR. SMITH:** Right. So they affect the STS balance itself?

1416.           **MR. WHARTON:** Correct.

1417.           **MR. SMITH:** And the creation of the STS balance mechanism was approved through the Tolls Task Force by all shippers, not just STS shippers, and by TransCanada, right? In 2005.

1418.           **MR. WHARTON:** I believe that TTF resolution was passed yes, in 2005.

1419.           **MR. SMITH:** Mr. Reed, could you turn up page 24 of the TransCanada Reply Evidence? And this is Exhibit 79155-2. And I'm sorry; I don't know if the PDF page matches. Just let me know when you have that, please.

1420.           **MR. REED:** Which paper page?

1421.           **MR. SMITH:** Paper page 24.

1422.           **MR. REED:** I have that.
1423.           **MR. SMITH:** Now, in the bottom half of that page is an excerpt from the GH-2-87 decision, fair?
1424.           **MR. REED:** Yes.
1425.           **MR. SMITH:** And it deals with delivery pressure charges?
1426.           **MR. REED:** That's correct.
1427.           **MR. SMITH:** Now Mr. Reed, at least you and I and your counsel go back far enough to remember the context of that debate?
1428.           **MR. REED:** I remember the context and who my counsel was, yes.
1429.           **MR. SMITH:** I don't know if I know how to spell Nuovo Pignone, but I think that was the manufacturer of the compressor station. But is it fair to say that the proposed Iroquois system was to operate at a pressure of 1440 kPa?
1430.           **MR. REED:** I don't recall the exact number, but it was higher than the standard line pressure at that point.
1431.           **MR. SMITH:** Fair enough, and that's where I was going. I'm really just trying to provide a bit of context, and that initially, the key compressor to maintain that pressure level on Iroquois was to be located in Canada at Station -- what became Station 1401, located near Iroquois, Ontario, right?
1432.           **MR. REED:** In general terms, that's consistent with my recollection.
1433.           **MR. SMITH:** And the Mainline system average pressure at that point was less or well less than the 1440 kPa, right?
1434.           **MR. REED:** Yes.
1435.           **MR. SMITH:** And Station 1401 was required to boost the pressure to a level required by Iroquois? I think you've already stipulated that. Is that fair?
1436.           **MR. REED:** Again, that's consistent with my recollection.

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

1437.           **MR. SMITH:** And intervenors like IPAC -- Independent Petroleum Association of Canada -- Consumers Gas, and others, insisted that this was a custom service and that the costs of that custom service should be recovered by means of a new toll, which became known as a delivery pressure surcharge; is that correct?
1438.           **MR. REED:** Yes, in general terms. Those two parties were some of the parties that sought separate tolling for that charge.
1439.           **MR. SMITH:** Right, and the passage to which I've referred -- I'm going to come back to it -- they indicated that that new toll or those costs could be recovered by means of a new incremental toll or it could be simply rolled into the system as a whole, right?
1440.           **MR. REED:** I lost in your question who you meant by "they". Are you talking about ---
1441.           **MR. SMITH:** Sorry, "they" being TransCanada could recover those costs through a new toll, which was the incremental delivery pressure charge or they could roll those costs into the system at large.
1442.           **MR. REED:** Those were the two options that were being considered. I'm not sure if you're attributing individual positions to individual parties in your question, but those generally were the two positions.
1443.           **MR. SMITH:** I see your confusion. Thank you. I think we're all square now. The costs are not just capital costs; they are also operating costs?
1444.           **MR. REED:** That's correct.
1445.           **MR. SMITH:** And then when I look at the quote, if I would take you down, sir, to line 24, it indicates:
- "The facilities which are, or are deemed to be, necessary to provide the service can be separately identified and stated apart from the integrated rate base."*
1446.           You see that?
1447.           **MR. REED:** I do.

1448. **MR. SMITH:** And then it continues,

*"In this case, the application of section 52 of the Act is not determinative. The situation would allow either a rolled-in or incremental approach to be contemplated."*

1449. Just pause there for a second. That's what we've just discussed, that those were the two approaches you could take.

1450. **MR. REED:** Yes.

1451. **MR. SMITH:**

*"However, in accordance with the principles of cost causation and "user-pay", the shippers using and benefitting from this service should be required to bear the incremental costs in order to ensure that undue cross-subsidization by other toll payers does not occur."*

1452. See that?

1453. **MR. REED:** I do.

1454. **MR. SMITH:** And the incremental costs relate to the facilities which were referred to earlier in the quote and to the other -- the incremental operating costs as well, right?

1455. **MR. REED:** That's my recollection, yes.

1456. **MR. SMITH:** And they were to be put into a new toll known as a surcharge, right?

1457. **MR. REED:** The export pressure surcharge, yes.

1458. **MR. SMITH:** Now, I'm going to test your recollection, Mr. Reed.

1459. Do you recall whether, in the context of that debate, the Board was asked to consider other places on the TransCanada system where system average pressure -- where above system average pressure was provided in order to ensure

**TransCanada PipeLines Limited**  
**Examination by Mr. Smith**

that it was being fairly dealt with; that is, all shippers, including Iroquois shippers?

1460.           **MR. REED:** I can't answer that from memory. I don't recall.

1461.           **MR. SMITH:** And that's fine, sir.

1462.           May I just have a moment, Mr. Chairman? Excuse me.

1463.           Thank you for your answers, panel. Thank you, Mr. Chairman, Members. I've completed my cross.

1464.           **THE CHAIRMAN:** Thank you, Mr. Smith.

1465.           **MR. SMITH:** I take it that Board counsel is up now?

1466.           **THE CHAIRMAN:** You take it wrongly. As I was about to say, I'd like to remind witnesses that they are still under oath.

1467.           Mr. Yates, just a reminder that you can communicate with the witnesses for the purposes of preparing for cross and other purposes, as per rule 38. Thank you.

1468.           We'll now adjourn until 9:00 a.m. tomorrow morning and continue with the TransCanada witness panel.

--- Upon adjourning at 3:02 p.m./L'audience est ajournée à 15h02