TransCanada PipeLines Limited (TCPL)
Application for the Herbert Long Term Fixed Price (LTFP) Service
Centra Information Requests to TransCanada

Centra – TCPL 1.01

Reference:

TCPL Herbert Application, PDF page 4, Paragraph 7

Preamble:

Centra has three concerns regarding the Herbert LTFP proposal: process, criteria and impact. An expedited process for considering special contracts should have an established framework for evaluating the rationale and the effects. This is the first application by TransCanada for highly-discounted firm transportation tolls. At present, there are no criteria to determine if the proposed toll is reasonable, in terms of both the degree of Mainline cost recovery and impact on captive customers.

TCPL states that TransGas is the only party entitled to Herbert LTFP service as the service is a case-specific offering.

Requests:

a) Was the recently-offered Dawn LTFP service also a "case-specific offering?" Please describe in detail how it differs from the Herbert LTFP service?

b) Would TCPL contemplate offering LTFP service to incremental loads at other locations on a "case-specific" basis? Please specify and explain the criteria that would be used.

Centra – TCPL 1.02

Reference:

i. TCPL Herbert Application, PDF page 6, Paragraph 15,
ii. TCPL Herbert Application, PDF page 10, Paragraph 32

Preamble:

In reference i), TCPL states that Service will commence once the Power Plant commences commissioning, which is expected to be between November 1, 2018 and June 30, 2019. The Power Plant is targeted to be fully in-service in Q4 of 2019.

In reference ii) TCPL states that The increase in Mainline billing determinants, revenues and cost of service resulting from the implementation of Herbert LTFP service will be reflected in the calculation of tolls in subsequent tolls applications.

Requests:

In calculating revenues for the 2018-2020 review, what amount of revenue will TCPL include for 2018 and 2019?

<u>Centra – TCPL 1.03</u>

Reference:

i. TCPL Herbert Application PDF page 4, Paragraph 7
ii. TCPL Herbert Application PDF page 11, Paragraph 41

Preamble:

In reference i) TCPL says that Herbert LTFP service was designed to attract incremental load and associated revenues that would not otherwise be derived to the benefit of the Mainline and its shippers.

In reference ii) TCPL claims that Absent Herbert LTFP service, the Mainline would not be able to attract the contract quantities and revenues associated with the service over the long term.

Requests:

a) If the Herbert LTFP service is not approved, will Foothills attract the contract quantity and revenues from the Power Plant load?
b) Why does TCPL, as owner of both the Mainline and Foothills, consider it preferable that the load and revenues be received by the Mainline rather than by Foothills?
c) If Foothills served the load, would Foothills shippers receive the benefit? If so, by what process (e.g., 2018 tolls filing)? If no, why not?
d) Did Foothills Pipeline present a load attraction/retention offer to TransGas? If so, what was it? If no, why not?
e) What is the ratio of the incremental Power Plant revenues to existing (2016 and/or 2017) revenues from other shippers for each of Foothills and the Mainline? Explain any assumptions used.

Centra – TCPL 1.04

Reference:

TCPL Herbert Application, PDF page 6, Paragraph 16, Table 1

Preamble:

TCPL states that the Herbert LTFP service is substantially different, and more restrictive, than the alternative of Mainline FT service. Table 1 provides a summary and comparison of the various attributes of Mainline FT service with those of Herbert LTFP service.

Requests:

a) What is the cost saving to the Mainline of each of the "more restrictive" attributes of the LTFP service as compared with Mainline FT service:

Attribute	Mainline FT	Herbert LTFP	Saving $/GJ
Eligible receipt point	Any eligible receipt point	Empress	
Eligible delivery point	Any eligible delivery point	Herbert	
Term	1 year minimum	10 years	
Renewal rights	Renewal minimum term is 1 year; 2 years' renewal notice required prior to contract expiry Applicable term-up provision	Not renewable	
Conversion rights	Can convert to FT-SN, EMB, or MFP Service; from long-haul to short-haul service	Can convert to FT at end of contract term. Term-up provision.	
Alternate receipt point and diversion	Available	Not available	
Temporary receipt and delivery points	Available	Not available	

b) Please explain in what way the Abandonment Surcharge in the Herbert LTFP service is more restrictive than in Mainline FT, given that both are described as being based on the distance between receipt point (Empress) and the delivery point?

<u>Centra – TCPL 1.05</u>

Reference:

i. TCPL Herbert Application, PDF page 7, Paragraph 17,

ii. TCPL Herbert Application, PDF page 18, Appendix A, Memorandum of Understanding, Section 3

Preamble:

In reference i) TCPL states that's TransGas has agreed to hold at least 80 TJ/d of FT service to the TransGas SSDA during the term of the Herbert LTFP Contract. This commitment is conditioned on FT tolls to the TransGas SSDA not increasing by more than 25% over any two-year period during the contract term. If TransGas does not hold 80 TJ/d of FT service during the term, TransCanada may terminate the Herbert LTFP Contract. TransGas currently holds 80 TJ/d of FT to the TransGas SSDA, which reflects the current needs of TransGas for firm Mainline service.

In reference ii) TCPL outlines that absent the conditional commitment to hold at least 80 TJ/d of FT service, and given the interconnections with other pipeline systems described below, TransGas would have the ability to replace Mainline FT service with increased receipts from other sources and use Herbert LTFP to serve existing firm requirements.

Requests:

a) TCPL's response Centra-TCPL 1.05 in RH-001-2016 stated that the TransGas SSDA has "no Current Alternative to the Western Mainline". Please explain what "other sources" TCPL now considers TransGas SSDA to have.

b) Please confirm that current TransGas contracts expire in 2020 (52,000 GJ/d) and 2021 (28,000 GJ/d). If not confirmed, please explain.

c) Please provide details on how the 25% "off-ramp" increase in FT tolls would be calculated. For example, does it include the Abandonment Surcharge and/or Fuel cost?

d) Please provide an example calculation of the maximum cumulative FT toll increase to TransGas SSDA over a five-year period (post 2020) that would still allow TCPL to stay within the 25% limit over any two-year period.

e) If TransGas reduces its SSDA FT contract amount because of an increase exceeding 25% over any two-year period, does that give TCPL the right to terminate Herbert LTFP service?

f) Did TCPL provide TransGas with any forecast FT tolls to the TransGas SSDA over the term of the LTFP? If so, please provide.

Centra – TCPL 1.06

Reference:

TCPL Herbert Application, PDF page 7, Paragraph 20

Preamble:

The reference states in order to serve the Power Plant load, TransCanada understands that TransGas was considering transportation on Foothills from McNeill to a new delivery interconnection at Shaunavon, Saskatchewan, from which gas would be transported on existing and new MIPL facilities to the Power Plant (Shaunavon Option). TransGas cited lower tolls on the Foothills system as the reason for pursuing service via Foothills instead of FT service on the Mainline.

Requests

a) Were any of the same TCPL personnel (account representatives, managers, executives, officers, etc.) involved in discussions or in the approval of negotiated terms with TransGas on behalf of Foothills and on behalf of the Mainline? If so, who were they? If not, how was separation of the two entities maintained, including the roles of any dual officers or executives?

b) Please specify what Code of Conduct provisions govern communication between different TCPL entities?

c) Please explain how the Mainline became aware that TransGas was contemplating taking service from Foothills.

d) When did TransGas begin discussions with Foothills?

e) When did TransGas begin discussions with the Mainline?

Centra – TCPL 1.07

Reference:

i. TCPL Herbert Application, PDF page 7, Paragraph 20

ii. TCPL Herbert Application, PDF page 9, Table 2: Mainline vs. Foothills Total Transportation Cost Comparison

Preamble:

In reference i) TCPL states that in order to serve the Power Plant load, TransCanada understands that TransGas was considering transportation on Foothills from McNeill to a new delivery interconnection at Shaunavon, Saskatchewan, from which gas would be transported on existing and new MIPL facilities to the Power Plant (Shaunavon Option).

In reference ii) TCPL outlines the cost comparison of the available alternatives

Requests:

a) What new MIPL facilities would be needed between Shaunavon and MIPL?

b) What would be the investment in, operating costs, and revenue requirements of those facilities in (a)?

c) Figure 1 (page 5) appears to show that the new Power Plant is not immediately adjacent to the MIPL line. What facilities would connect the Power Plant to the MIPL line?

d) What are the investment in, operating costs, and revenue requirements of those connecting facilities in (c)?

e) What would be the tolls on the existing MIPL system for both the Foothills and Mainline options?

Centra – TCPL 1.08

Reference:

TCPL Herbert Application, PDF page 9, Table 2: Mainline vs. Foothills Total Transportation Cost Comparison.

Preamble:

Centra seeks to understand some of the calculations and basis for some of the individual items presented in Table 2.

Requests:

a) Please explain (with supporting data) how the Abandonment Surcharge for Herbert LTFP ($0.0115) was calculated and why it differs from the Empress-to-TransGas SSDA Surcharge of $0.0245.

b) Does TCPL serve any other DDAs s with delivery-point specific Surcharges?

c) What is the basis for TCPL to serve a DDA using a non-DDA toll or Surcharge? What, if any, criteria are used by TCPL to evaluate such differential tolling.

d) Can the Abandonment Surcharge increase in future years? If so, what is a possible “high case” for the Surcharge over the 10-year period (e.g., if Western Mainline volumes decline)?

e) Please explain (with supporting data) how the Fuel ratio of 0.46% was calculated and why it differs from the Empress-to-TransGas SSDA Fuel ratio of 0.88%

f) Please explain why the Herbert LTFP service includes a separate Abandonment Surcharge whereas the recently-proposed Dawn LTFP service had the Surcharge included in the fixed price.

Centra – TCPL 1.09

References:

i. TCPL Herbert Application, PDF page 10, paragraph 37
ii. TCPL Mainline 2013-2030 Settlement Agreement Application, Additional Written Evidence, PDF page 10

Preamble:

In reference i), TCPL states that the Board previously held the view that TransCanada should seek the higher of incremental costs or fair market value in all non-Tariff transactions from parties wishing to contract with it, and defined fair market value as whatever a competitive market is willing to pay. While Herbert LTFP would be a Tariff service, it is a market-driven solution. The tolling and service structure were negotiated between arm's-length entities. Therefore, the toll represents a fair assessment of the market value of the proposed service, which exceeds the incremental costs of providing the service."

In reference ii), TCPL describes Mainline tolls after 2020 could reflect a number of factors, including developments beyond cost of service regulation that would address fundamental allocations of risk and reward between TransCanada and its shippers. Although in this Application TransCanada is only requesting the Board's approval of certain parameters for tolls in the 2021-2030 period, TransCanada remains committed to continuation of balanced and effective at-risk models for some or all of the Mainline's revenue requirement.

Request:

a. What are the incremental costs to the Mainline of providing Herbert LTFP service?
b. How will the incremental costs change post 2020?
c. Does the Herbert LTFP toll take into account that the proposed service spans into the post 2020 timeframe when TCPL has indicated the Mainline will assume an "at risk" model?
d. Is the Herbert LTFP service an aspect of the "at risk" nature of the pipeline post 2020?
e. Is it TCPL's position that it can offer an LTFP toll as long as the toll is higher than the incremental cost of the service? If no, please explain the criteria used to determine whether to offer such a toll. What were the incremental costs for the Dawn LTFP offering?

Centra – TCPL 1.10

Reference:

TCPL Herbert Application, PDF page 9, Paragraph 27

Preamble:

TCPL qualifies Table 2 by stating this comparison is illustrative only, as the Herbert LTFP toll is known for the entire ten-year period, while the other tolls are subject to change over that time period. Centra would like to better understand the Mainline environment for the ten year term of the Herbert LTFP service.

Requests:

a) Please provide forecasts of the range of potential toll changes for the "other tolls" over the ten-year period. Explain any assumptions.

b) Please provide a graph depicting for the Prairies Line over the ten-year period:
   i. Prairie Line firm capacity.
   ii. Prairies Line firm capacity assuming "all units available" (i.e. no de-rating or units held out of service)
   iii. Prairies Line shipper requirement, distinguished between forecast captive load and any forecast shipper requirements incremental to this captive load.

c) Please replicate the graph in part (b) showing the incremental impacts of 1.5 PJ/d[1] contracted from Empress to Dawn and 1,100 TJ/d[2] of capacity removed for Energy East.

d) Please discuss the potential for the Prairies Line to be fully subscribed during the ten-year period?

e) Please provide any TCPL studies or forecasts showing its forecasted capacity and utilization of the Prairies Line during the ten year period.

[1] TransCanada's 2017 Dawn Long Term Fixed Price Service Open Season , October 13, 2016 to November 10, 2016 sought 1.5 PJ/d of contracts.

[2] Energy East Pipeline Ltd. Application Volume 2: Sale and Purchase of Mainline Assets, Sect 4.2.2

<u>Centra – TCPL 1.11</u>

Reference:

i. TCPL Herbert Application, PDF page 10, Paragraph 31
ii. TCPL Herbert Application, PDF page 10, Paragraph 32

Preamble:

In reference i), TCPL claims the Herbert LTFP service will contribute approximately $2.5 million in annual demand revenue, and the 10-year average annual cost of service will increase by approximately $0.3 million due to the $2.3 million capital addition related to the proposed delivery meter station facilities at Herbert. Herbert LTFP service is therefore expected to result in incremental net revenues of $2.2 million per year.

In reference ii), TCPL states the increase in Mainline billing determinants, revenues and cost of service resulting from the implementation of Herbert LTFP service will be reflected in the calculation of tolls in subsequent tolls applications.

Requests:

a) In addition to the meter station, what other additional costs might TCPL incur in providing the service (e.g., regulatory, operating costs).

b) What are the non-averaged increases in revenue requirements for the first three years of the contract?

c) How will the added volumes, investment and any other costs affect the inter-company allocation of costs?

d) What is the expected impact on tolls of the Herbert LTFP service (i.e., FT tolls for Empress to each Mainline DDA? Please provide the underlying calculations.

e) What is the forecast dollar benefit to TCPL by year under the Mainline incentive provisions of the current tariff/settlement?

<u>Centra – TCPL 1.12</u>

Reference:

TCPL Herbert Application, PDF page 8, paragraph 24, and PDF page 10, paragraph 31

Preamble:

Centra seeks to understand the costs and depreciated value of the Mainline Prairies Line facilities proposed to be used to provide the Herbert LTFPS, relative to facilities not being used to provide the LTFPS.

Request:

a) Please identify the assets that would be used to physically provide service to the Herbert plant under the LTFPS.
b) Please identify the assets that would not be used to physically provide service to the Herbert plant under the LTFPS.
c) Please provide the annual depreciated value of each of the assets used to provide the Herbert LTFP service over the life of the service.
d) Please provide the annual depreciation cost and operating costs associated with each line of the Prairies segment.

<u>Centra – TCPL 1.13</u>

Reference:

TCPL Herbert Application, PDF page 14, paragraph 57 a)

Preamble:

In the reference TCPL requests that the Board approve "the proposed Herbert LTFP service and the related toll methodology, as described in the Application"

Request:

Please define and specify what "toll methodology" TCPL is seeking for the Board to approve.