



Canada Energy
Regulator

Régie de l'énergie
du Canada

**CANADA ENERGY REGULATOR
RÉGIE DE L'ÉNERGIE DU CANADA**

**Hearing / L'audience
RH-001-2019**

**NOVA Gas Transmission Ltd.
System Rate Design and Services Application**

**NOVA Gas Transmission Ltd.
Demande concernant les services et la conception des droits**

VOLUME 1

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

**Canada Energy Regulator
517 Tenth Avenue SW
Calgary, Alberta**

**December 2, 2019
Le 2 décembre 2019**

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HEARING / L'AUDIENCE

RH-001-2019

**IN THE MATTER OF NOVA Gas Transmission Ltd.
System Rate Design and Services Application**

HEARING LOCATION/LIEU DE L'AUDIENCE

Hearing held in Calgary, Alberta, Monday, December 2, 2019
Audience tenue à Calgary (Alberta), lundi, le 2 décembre 2019

COMMISSION PANEL/COMITÉ D'AUDIENCE DE LA COMMISSION

Phil Davies	Presiding Commissioner/Commissaire présidant l'audience
Damien Côté	Commissioner/Commissaire
Stephania Lucuik	Commissioner/Commissaire



APPEARANCES/COMPARUTIONS

(i)

Applicant/Demandeur

NOVA Gas Transmission Ltd.

- Mr. Sander Duncanson
- Ms. Cassandra Richards
- Ms. Rosemary Stevens

Intervenors/Intervenants

Alberta Department of Energy

- Mr. Colin King

Alliance Pipeline Ltd.

- Mr. Robert Bourne

ATCO Gas

- Mr. Laurie E. Smith Q.C.
- Mr. Sean Assié

Black Swan Energy

- Mr. David Wood

BP Canada Energy Group ULC

- Ms. Kim Johnston

Canadian Association of Petroleum Producers

- Mr. Lewis L. Manning

Centra Gas Manitoba Inc.

- Ms. Helga Van Iderstine
- Ms. Jessica Carvell

ConocoPhillips Canada

- Mr. Alan Ross
- Mr. Bradon Willms
- Mr. Mike Baker

Encana Corporation

- Mr. Daniel Dunlop

Industrial Gas Consumers Association of Alberta

- Mr. Mark Thomas



APPEARANCES/COMPARUTIONS **(Continued/Suite)**

(ii)

Intervenors/Intervenants

PETRONAS Energy Canada Ltd.

- Mr. Bernard Roth
- Mr. Simon Kupi

Shell Canada Energy

- Ms. Deanna Grant

Tenaska Marketing Canada, a division of TMV Corp.

- Mr. Tomasz Lange

Tourmaline Oil Corp.

- Ms. Deanna Kruk

Westcoast Energy Inc., doing business as Spectra Energy Transmission

- Mr. Don Davies
- Mr. Robert Bourne

Western Export Group

Ms. Rosa Twyman

Canada Energy Regulator/Régie de l'énergie du Canada

- Ms. Lauren Bell
- Ms. Michelle Haug



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--- Upon commencing at 9:00 a.m./L'audience débute à 9h00

1. **THE PRESIDING COMMISSIONER:** Good morning, all. We're starting today with the cross-examination on the RH-001-2019, System Rate Design Application.
2. Welcome, all. I'm pleased to see so many people in the room with whom I am acquainted with.
3. For those who don't know me, I'm Phil Davies and I have two colleagues. On my left is Damien Côté, and Damien is our lead Commissioner at the CER. And on my right is Stephania Lucuik, and Stephania has recently joined the team from private practice and from corporate law. So you've got a Panel of three lawyers today and hopefully that will be a benefit and not a burden. So I say that to the Panel in particular.
4. So the cross-examination schedule that we're planning is daily through Thursday and into Friday if we need to, starting at 9:00 a.m. and adjourning around four o'clock, later if we need to, earlier if we can.
5. We'll take a lunch break, of course, and a mid-morning break, mid-afternoon break. Of course, schedules are organic. We'll adjust as we go along. And certainly, if counsel anticipates any significant change in the estimate of their cross-examination time that they'd get -- and I'd invite counsel to speak with Board counsel so that we're aware of it as we do our scheduling.
6. Introduce a few of our staff. Our Regulatory Officer today is Rachel Savoie. And we have counsel. We have Lauren Bell and Michelle Haug. And Kyle Duran is our Hearing Manager, Kyle. And we'll be able to identify any of the staffers by their gold or silver badge, which may say National Energy Board or may say Canadian Energy Regulator. I figured that the NEB one was the appropriate one, given the -- that's the Act under which we're adjudicating this application. Either will work.
7. Of course, we have court reporters, and the transcripts will be available electronically on the CER website in the early evening if all goes well.
8. And so I think there's a few housekeeping matters which Ms. Savoie said that she would look after for us, so I will turn it over to you.



9. **THE REGULATORY OFFICER:** If it is necessary to evacuate the building, 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. 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.
10. The washrooms can be found through the elevator lobby, turning left along the north hallway. There are signs posted by the elevators, and you can ask any staff member for the code.
11. Also, for security reasons, please do not leave bags or personal belongings unattended in the hearing room. If you have any concerns regarding safety, please speak to any Commission staff members. Thank you.
12. **THE PRESIDING COMMISSIONER:** Okay. Thank you, Rachel.
13. We have a live audio stream of the -- being broadcast today of our proceedings. And of course, as I said earlier, the transcript is being prepared as we speak, so if I get a signal from our court reporter that somebody needs to speak more slowly or loudly or improve their elocution, I will politely intervene and ask for that.
14. Now, before we start cross examination, we'll proceed with registering participants, and I'll ask Counsel Michelle Haug to look after that for us, please.
15. **MS. HAUG:** Good morning.
16. Thank you, Mr. Chairman.
17. My name is Michelle Haug. I'm CER counsel. I will be calling the parties who have indicated an interest in participating in the oral cross-examination portion of the proceeding.
18. When your party's name is called, please come forward and state your name; advise whether you have any update with respect to your participation in cross-examination; and indicate whether you have any preliminary matters, such as motions to raise before we begin.



19. And I'll also ask at this time if there's any other parties in the hearing room who wish to register to appear.
20. NOVA Gas Transmission Ltd. ...?
21. **MR. DUNCANSON:** Good morning, Mr. Chairman and Commissioners.
22. My name is Sander Duncanson representing NGTL.
23. With me are Rosemary Stevens and Cassie Richards.
24. We have no update for our cross-examination this week. We do ask to be called on for cross, and we have no preliminary matters. Thank you.
25. **MS. HAUG:** ATCO Gas...?
26. **MR. SMITH:** Good morning, Mr. Chairman, Members.
27. My name is Laurie Smith. I'm appearing on behalf of ATCO Gas.
28. Also appearing later this week, should it extend that long will be a Mr. Sean Assié, S-E-A-N, Assié, A-S-S-I-É.
29. We have no preliminary matters to raise. And as far a cross-examination goes, I think we would probably be about half what we had estimated with the NOVA Panel, so probably a little over a half an hour. Thank you.
30. **MS. HAUG:** Black Swan Energy...?
31. **MR. WOOD:** Good morning, Mr. Chairman, Commissioners.
32. My name is David Wood and I am here on behalf of Black Swan, and we have no preliminary matters. And we do have an update on cross-examination. We had indicated that Black Swan intends to cross-examine Westcoast. We had given an estimate of 60 to 90 minutes. At this point, we think it will be no more than 30 minutes.
33. **MS. HAUG:** Canadian Association of Petroleum Producers...?



34. **MR. MANNING:** Good morning, Mr. Chairman, Members.
35. My name is Lewis Manning. I'm here on behalf of CAPP.
36. We have no preliminary matters. I can advise you now that our estimate of cross-examination, made several weeks ago, was generous and will be considerably less time than we anticipated. We'll advise Board counsel by the end of the day how long we expect to be, and we will have no questions for Centra.
37. One other point. I don't think this is going to be a problem, but there is a scheduling issue with one of our CAPP witnesses, Dr. Orans, which requires him to be, if possible, on and off by Wednesday. Again, I don't think that's going to be a problem. Thank you.
38. **MS. HAUG:** Centra Gas Manitoba Inc. ...?
39. **MS. VAN IDERSTINE:** Good morning, Commissioners, Mr. Chair.
40. My name is Helga Van Iderstine. I'm counsel for Centra Gas.
41. With me is Jessica Carvell, also who is with Centra Gas.
42. Our time estimates were generous like everyone else's, I think. We will not be cross-examining any of the parties, other than NGTL, and our cross-examination of NGTL will be probably less than an hour. Thanks.
43. **MS. HAUG:** Thanks.
44. PETRONAS Energy Canada Ltd...?
45. **MR. ROTH:** Good morning, Mr. Chairman, Commissioners.
46. My name is Bernard Roth, and I will be here for PETRONAS some of the time, but most of the time Simon Kupi of our office will be here leading the PETRONAS panel. At all times, one of us will be here, but more often than not it will be Mr. Kupi, and I have no preliminary matters, and I do not have any updates by way of cross-examination.



47. **MS. HAUG:** Westcoast Energy Inc., doing business as Spectra Energy Transmission...?
48. **MR. DAVIES:** Good morning, Mr. Chairman, Commissioners.
49. My name is Don Davies. I'm appearing for Westcoast. With me is Robert Bourne, B-o-u-r-n-e. I have no preliminary matters and no updates on cross-examination although, as you know, Mr. Chairman, rarely do I not use my allotted time.
50. **MS. HAUG:** Western Export Group...?
51. **MS. TWYMAN:** Good morning, Mr. Chairman.
52. My name is Rosa Twyman. I'm client counsel for Western Export Group. We will not be conducting a cross-examination of ATCO. We have no motions and I think that's everything you require of us. Thank you very much.
53. **MS. HAUG:** Are there any other parties in the room who wish to ---
54. **MR. BOURNE:** Good morning, Mr. Chairman, Commissioners.
55. My name is Robert Bourne. I'm also here on behalf of Alliance Pipeline Ltd. Alliance will not be conducting cross-examination, but does reserve its right to present final argument.
56. **MS. JOHNSTON:** Good morning.
57. I'm Kim Johnston with BP Canada Energy Group ULC. We wish register our appearance but do not intend to cross-examine today and we would like to reserve the right to file final argument. Thank you.
58. **MS. KRUK:** Good morning.
59. My name is Deanna Kruk, K-R-U-K. I'm here on behalf of Tourmaline Oil Corp. We will not be participating in cross-examination today, but we prefer to reserve our right to participate in final argument.
60. **MS. GRANT:** Good morning.



61. My name's Deanna Grant. I'm with Shell Canada Energy and we do not intend to cross-examine the panel but would like to reserve the right to submit final argument. Thank you.
62. **MR. ROSS:** Good morning, Mr. Chair, members of the Commission.
63. My name is Alan Ross with the law firm Borden Ladner Gervais, registering an appearance on behalf of ConocoPhillips Canada. With me as co-counsel is Bradon Willms, B-R-A-D-O-N W-I-L-L-M-S, also Borden Ladner Gervais. And also with us is Mr. Mike Baker, Vice President with ConocoPhillips Canada. I have no preliminary matters, no intention of doing cross-examination, but wish to reserve ConocoPhillips Canada's right to submit a final argument and answer any questions verbally on that final argument. Thank you.
64. **MR. THOMAS:** Good morning, Mr. Chairman and Commissioners.
65. My name is Mark Thomas. I appear today on behalf of the Industrial Gas Consumers Association of Alberta, otherwise known as IGCAA. And IGCAA advises that it will not cross-examine any parties in this phase of the proceeding and intends to file argument as prescribed in Procedural Order Number 2. Thank you very much.
66. **MR. LANGE:** Good morning, Mr. Chairman, Commissioners.
67. My name is Tomasz Lange, T-O-M-A-S-Z L-A-N-G-E, and I appear on behalf of Tenaska Marketing Canada, here today. We do not need to be called for cross-examination, but we do intend to present oral final argument and answer questions, as required. Thank you very much.
68. **MR. DUNLOP:** Good morning, Mr. Chair and Commission members.
69. My name is Dan Dunlop. I'm here to represent Encana Corporation. We will not be cross-examination -- examining today; however, would like to reserve right for final argument.
70. **MR. KING:** Good morning, Mr. Chair, Panel members.
71. My name is Colin King. I'm legal counsel with the Government of



Alberta, Department of Energy. We did not register for cross-examination, but we do remain interested in the proceeding and may provide final argument. We have no preliminary matters. Thank you.

72. **MS. HAUG:** Are there any other parties who wish to register an appearance this morning?

--- (No response/Aucune réponse)

73. **MS. HAUG:** Thank you. That concludes registration of appearances.

74. **THE PRESIDING COMMISSIONER:** Thank you, Ms. Haug.

75. With that, we're ready to begin with NGTL's witness panel, Mr. Duncanson, so please proceed.

76. **MS. RICHARDS:** Good morning, Mr. Chairman and Commissioners.

77. As my colleague mentioned earlier, my name is Cassie Richards and I am a lawyer with Oslin, Hoskin and Harcourt. I will be introducing the witness panel this morning.

78. I'll start with Penelope Echenagusia who is sitting farthest from the Panel. Ms. Echenagusia is a Manager of Rates and Services West, Canadian Natural Gas Pipelines for TC Energy.

79. Beside Ms. Echenagusia is Michael Ritsch. Mr. Ritsch is the Director of Rates of Services, Canadian Natural Gas Pipelines for TC Energy.

80. Next, we have Toby Bishop. Mr. Bishop is a Senior Vice President of Concentric Energy Advisors Inc.

81. And beside Mr. Bishop, we have John Reed. Mr. Reed the Chairman and Chief Executive Officer of Concentric Energy Advisors Inc.

82. Next, we have Mr. Richard Prior. Mr. Prior is the Senior Vice President of Commercial, Canadian Natural Gas Pipelines for TC Energy.



83. Next, we have Blaine Trout. Mr. Trout is the Director of Marketing, Canadian Natural Gas Pipelines for TC Energy.
84. Finally, we have Colin Cooper. Mr. Cooper is a senior engineer, System Design West, Canadian Natural Gas Pipelines for TC Energy.
85. At this time, I would request that the witness panel be sworn or affirmed.

PENELOPE ECHENAGUSIA: Sworn

MICHAEL RITSCH: Sworn

TOBIAS BISHOP: Sworn

JOHN REED: Sworn

RICHARD PRIOR: Sworn

BLAINE TROUT: Sworn

COLIN COOPER: Sworn

86. **THE PRESIDING COMMISSIONER:** Thank you, Ms. Savoie.

87. Ms. Richards...?

--- EXAMINATION BY/INTERROGATOIRE PAR MS. RICHARDS:

88. **MS. RICHARDS:** Thank you. I will now be walking the witnesses through the evidence filed by NGTL to have it adopted.
89. I'll start with Mr. Reed and Mr. Bishop.
90. Mr. Reed and Mr. Bishop, do you have the CER's Exhibit List document in front of you? It is Document C03158-1.
91. **MR. REED:** Yes.
92. **MR. BISHOP:** Yes.
93. **MS. RICHARDS:** Mr. Reed or Mr. Bishop, can you confirm that the exhibits listed under the Exhibit List A98318-4 that's Concentric's evidence and C02725-3 that's Concentric's reply evidence, as well as the information request related to that evidence, were prepared jointly under your direction and control?



94. **MR. REED:** Yes.
95. **MR. BISHOP:** Yes.
96. **MS. RICHARDS:** Mr. Reed and Mr. Bishop, do you have any corrections you would like to make to that evidence?
97. **MR. REED:** Do not, no.
98. **MS. RICHARDS:** Mr. Reed and Mr. Bishop, is that evidence, therefore, accurate to the best of your knowledge and belief?
99. **MR. REED:** It is.
100. **MR. BISHOP:** It is.
101. **MS. RICHARDS:** Mr. Reed and Mr. Bishop, do you adopt this evidence as your evidence in this proceeding?
102. **MR. REED:** Yes.
103. **MR. BISHOP:** I do.
104. **MS. RICHARDS:** Thank you, Mr. Reed and Mr. Bishop,
105. I'd now like to move to Richard Prior to adopt the NGTL evidence. Mr. Prior, do you have the CER's Exhibit List document in front of you?
106. **MR. PRIOR:** I do, yes.
107. **MS. RICHARDS:** With respect to the following exhibits listed on the Exhibit List: A98318-1 through 3 and A98318-5 through 9, that is the Application; Exhibit A99267-1, that is the response to the Board's letter on the results of the comment period; Exhibit A99556-1, that is the additional written evidence; Exhibit C0032-2 and 3, that is the response to the Board's Information Request 1; Exhibit C0032-4 through 11 and C00188-1, those are the responses to the intervenor information requests; Exhibits C00412-1, C00651-1, C01099-1, C01675-1 and C00859-1, those are the revised information requests responses; Exhibit C00654-2 that is the response to the Board's Information Request 2; Exhibit C00654-3 through 8, that is the response to the second round of intervenor



information requests; Exhibit C02251-1 that is the response to the CER's Information Request 3; Exhibit C02725-2 that is the reply evidence; Exhibit C02920-1 that is the direct evidence; Exhibit C03224-1 that is the response to the CER's Information Request 4; Exhibit C03276-1, those are the corrections to NGTL's evidence, and Exhibit C03296-2, which is the opening statement.

108. Can you confirm that in your role you have responsibility for the direction and control of the subject matter of this evidence?
109. **MR. PRIOR:** I confirm.
110. **MS. RICHARDS:** Do you have any corrections that you'd like to make to that evidence?
111. **MR. PRIOR:** I don't have any corrections.
112. **MS. RICHARDS:** Is that evidence, therefore, accurate to the best of your knowledge and belief?
113. **MR. PRIOR:** Yes, it is.
114. **MS. RICHARDS:** Therefore, do you adopt this evidence as NGTL's evidence in this proceeding?
115. **MR. PRIOR:** Yes.
116. **MS. RICHARDS:** Thank you, Mr. Prior.
117. I'd now like to ask the remaining witnesses to adopt their direct evidence.
118. Ms. Echenagusia, can you confirm that your direct evidence, which is Exhibit C02920-1, was prepared under your direction and control?
119. **MS. ECHENAGUSIA:** Confirm.
120. **MS. RICHARDS:** Do you have any corrections that you'd like to make to that evidence?
121. **MS. ECHENAGUSIA:** No, I don't.



122. **MS. RICHARDS:** Is that evidence, therefore, accurate to the best of your knowledge and belief?
123. **MS. ECHENAGUSIA:** Yes.
124. **MS. RICHARDS:** Do you adopt this evidence as your evidence in this proceeding?
125. **MS. ECHENAGUSIA:** I do.
126. **MS. RICHARDS:** Mr. Ritsch, can you confirm that your direct evidence, which is Exhibit C02920-1, was prepared under your direction and control?
127. **MR. RITSCH:** Yes, it was.
128. **MS. RICHARDS:** Do you have any corrections that you'd like to make to that evidence?
129. **MR. RITSCH:** No, I do not.
130. **MS. RICHARDS:** Is that evidence, therefore, accurate to the best of your knowledge and belief?
131. **MR. RITSCH:** Yes, it is.
132. **MS. RICHARDS:** Do you adopt this evidence as your evidence in this proceeding?
133. **MR. RITSCH:** Yes.
134. **MS. RICHARDS:** Mr. Trout, can you confirm that your direct evidence, which is Exhibit C02920-1, was prepared under your direction and control?
135. **MR. TROUT:** Yes, I can.
136. **MS. RICHARDS:** Do you have any corrections that you'd like to make to that evidence?



137. **MR. TROUT:** No, I do not.
138. **MS. RICHARDS:** Is that evidence, therefore, accurate to the best of your knowledge and belief?
139. **MR. TROUT:** Yes, it is.
140. **MS. RICHARDS:** Do you adopt this evidence as your evidence in this proceeding?
141. **MR. TROUT:** I do.
142. **MS. RICHARDS:** Mr. Cooper, can you confirm that your direct evidence, which is Exhibit C02920-1, was prepared under your direction and control?
143. **MR. COOPER:** Yes, I can.
144. **MS. RICHARDS:** Do you have any corrections that you'd like to make to that evidence?
145. **MR. COOPER:** No, I do not.
146. **MS. RICHARDS:** Is that evidence, therefore, accurate to the best of your knowledge and belief?
147. **MR. COOPER:** Yes, it is.
148. **MS. RICHARDS:** Do you adopt this evidence as your evidence in this proceeding?
149. **MR. COOPER:** Yes, I do.
150. **MS. RICHARDS:** Thank you, panel. I would now ask that Mr. Prior read in NGTL's opening statement that was filed as Document C03296-2.
151. **MR. PRIOR:** This proceeding was established by the Commission's predecessor, the National Energy Board, to consider an application by NGTL for approval of a rate, design and services settlement that NGTL reached with the



- majority of its stakeholders.
152. The Settlement is the product of two years of extensive negotiations between NGTL and its customers. It represents a balance of accommodations and compromises amongst diverse interests, from the full spectrum of NGTL customers, including small, medium and large producers, power generators, utilities, industrial users, exporters, marketers, extraction service providers and industry associations.
153. Consequently, the agreed-upon provisions of the NGTL System rate design methodology and terms and conditions of services arising from the Settlement are inextricably linked and must be considered as a package in accordance with the Settlement Guidelines.
154. The Settlement addresses the continued evolution that has occurred on the NGTL System since the current NGTL rate design was approved in 2010. Approval of the Settlement, as is, and in its current form, will provide the certainty required for NGTL and its customers to advance investment decisions that both preserve and enhance the competitiveness of the NGTL System and importantly, the Western Canada Sedimentary Basin.
155. The Settlement includes changes relative to the current rate design that will increase the degree to which distance is reflected in rates, improve cost accountability, and provide flexibility to accommodate future changes in system utilization. The amendments addressed in the Settlement adhere to applicable tolling principles and produce tolls that are just and reasonable and not unjustly discriminatory.
156. Of the more than 250 customers on the NGTL System, only two -- ATCO Gas and Centra Gas Manitoba -- have expressed opposition to the Settlement. A competing pipeline company, Westcoast Energy, doing business as Spectra Energy Transmission owned by Enbridge, also expressed opposition.
157. Each of these three parties raised concerns with narrow aspects of the Settlement in isolation from and without consideration of the broader package. Modifying these aspects of the Settlement would upset the balance struck in the negotiations and would be contrary to the Settlement Guidelines.
158. Failing to recognize the “package deal” of the Settlement would undermine two years of time and significant resources invested by NGTL and its



- customers to negotiate the Settlement, undermine the incentive for parties to negotiate future settlements in the future, and create unnecessary uncertainty for NGTL System stakeholders, thereby threatening the competitiveness of the WCSB.
159. Of the narrow aspects of the Application not covered by the Settlement, the only issue contested in this proceeding is NGTL's proposed Surcharge Coefficient as part of the North Montney Mainline Tolling Methodology. Westcoast opposes NGTL's surcharge approach to the North Montney Mainline, and instead advocates for stand-alone tolling. Not only is this position contrary to the Settlement, which specifies that tolls on the North Montney Mainline will reflect the rate design resulting from the Settlement plus a surcharge, but it is contrary to the NEB's longstanding application of tolling principles for new facilities.
160. As previously argued by Westcoast and not accepted by the NEB in the GH-001-2014, GH-003-2015, and MH-031-2017 proceedings, Westcoast's position would require stand-alone, stacked tolls for any extension of the NGTL System in British Columbia.
161. The NEB concluded in its prior decisions that the North Montney Mainline Facilities are integrated with the NGTL System, providing a standard service, and that there is a need for existing NGTL customers to access some of the highest value natural gas in the WCSB to backfill significant annual supply declines elsewhere on the NGTL System.
162. Westcoast's proposal to impose stand-alone tolls for the North Montney Mainline is inconsistent with the NEB's previous findings.
163. NGTL's proposed North Montney Mainline Tolling Methodology of applying a surcharge in addition to the rates shippers would pay under NGTL's system-wide tolling methodology was explicitly identified by the NEB in MH-031-2017 as a possible means of addressing its concerns. This methodology will result in North Montney Mainline shippers paying rates that are considerably higher than what would have otherwise be charged at these locations under the NGTL rate design.
164. In addition, North Montney Mainline shippers have increased accountability for the North Montney Mainline and the NGTL System through 20-year contract terms and restricted secondary terms. These enhancements in the



- proposed methodology balance the NEB's requirement for greater cost accountabilities from North Montney Mainline shippers with the need to ensure that distinctions in tolling between the North Montney Mainline and existing NGTL shippers are commensurate with the differences in their circumstances and consider both the benefits and costs rightfully attributable to existing NGTL System shippers.
165. The proposed North Montney Mainline Tolling Methodology will generate revenues from the North Montney Mainline Shippers that not only cover the entire incremental cost of services of the North Montney Mainline Facilities, but also contribute \$1.4 billion over 20 years towards the cost of the existing System, which will meaningfully reduce tolls for existing shippers.
166. In NGTL's view, this conservative proposal addresses the NEB's guidance in MH-031-2017 and strikes a reasonable balance between North Montney Mainline shippers and existing NGTL shippers.
167. To emphasize, approval of the Application in its entirety and without modification is in the public interest and will result in tolls that are just and reasonable and not unjustly discriminatory. Timely approval that allows implementation of the rate design changes as soon as possible will provide the clarity around future tolling that is required for all parties to make informed decisions on their investments in the development of WCSB resources.
168. **MS. RICHARDS:** Thank you, Mr. Prior.
169. Mr. Chairman, with that, the Panel is now available for cross-examination.
170. **THE PRESIDING COMMISSIONER:** Thank you, Ms. Richards.
171. Mr. Smith?
172. **MR. SMITH:** Thank you, Mr. Chairman. If I could just have a minute to get set up?
- EXAMINATION BY/INTERROGATOIRE PAR MR. SMITH:**
173. **MR. SMITH:** Good morning, panel.



174. I expect, frankly, that we will be just a little over a half an hour or so, certainly less than what I'd initially forecast.
175. I've provided the Court Clerk with my list of exhibits, and if we could just turn up first from your original evidence, that is Exhibit A98318-2, PDF 23 of 72, and that's Figure 2.3, which is distance of haul to key delivery locations.
176. I'm not sure who I should address these questions to, but if you'd just let me know.
177. Is there anybody in particular I should pursue these questions on distance of haul?
178. **MR. RITSCH:** You can address it to myself or Ms. Echenagusia.
179. **MR. SMITH:** Thank you. And so I'd just like to confirm that the 2017 figures were the ones most recent as of the date of that filing.
180. And when we look down that right column for the Eastgate, we had 662 kilometres, the Westgate was 566, and then Groups 2 and 3 deliveries were lumped together at 625. And the total FT-D volume -- or sorry, distance -- was 627 kilometres, right, Mr. Ritsch?
181. **MS. ECHENAGUSIA:** That is correct.
182. **MR. SMITH:** Okay, thank you.
183. And then the Group 2 and 3 had not been broken out, but then in an IR -- that I don't think we need to turn up, but I'll take you to where it's been dealt with in another piece of evidence -- that breakout was requested. And just for the record, that was ATCO Gas, NGTL 10 (a). But in the ATCO Gas written evidence, it was reproduced in Table 2 of that document, and I wonder, do you have the ATCO Gas written evidence with you? It might be easier to just follow along with it.
184. **MR. RITSCH:** I currently have the IR response. I'm just digging up the ATCO evidence.
185. **MR. SMITH:** Sure. And that exhibit is Exhibit C01049-1, and it was



PDF 12 of 59 and it's Table 2.

186. And Mr. Ritsch, just to avoid jumping around between the IR responses and these other pieces of evidence, you'll see footnoted at the bottom of that page, where the breakout of that -- those distances of haul appear, and that was the AG NGTL 10(a) that I mentioned just a moment ago.

187. Table 2, Distance of Haul, under the column 2017 -- it's up on the screen if that helps you.

188. **MR. RITSCH:** We're with you.

189. **MR. SMITH:** And can you accept, subject to check, that ATCO did faithfully reproduce the breakout of those distances from the NOVA IR response? And in ---

190. **MR. RITSCH:** I've checked the 2017 numbers and they look the same.

191. **MR. SMITH:** Thank you. And for the record again, Group 2 deliveries are recorded there as 685 kilometers and the Group 3 deliveries were 261 kilometers, correct?

192. **MR. RITSCH:** That's correct.

193. **MR. SMITH:** And we can see that they had increased respectively. I'm looking at Group 3, starting at 2011 through 2017, from 161 kilometers to 261. And Group 2, it increased from 434 kilometers to 685 kilometers, right?

194. **MR. RITSCH:** That's right. Both the Group 2 and Group 3 DOHs had increased over that period of time.

195. **MR. SMITH:** Okay. Now, in your reply evidence, you didn't dispute or correct any of that evidence on the distance of haul. They were -- those facts were accepted by NGTL. Fair?

196. **MR. RITSCH:** There wasn't anything to dispute.

197. **MR. SMITH:** On the distance of haul?



198. **MR. RITSCH:** We didn't dispute the numbers that we've provided in the evidence.
199. **MR. SMITH:** Right.
200. **MR. RITSCH:** One of the things that we did point out in our reply evidence was -- and one of the concerns we had with ATCO's proposal, was that if you were to start to break down the system to -- in the major market fashion as ATCO had proposed, that one of the factors that you would have to look at are things like the load factor that the Group 3 service is operating at, on average, over the course of the year. So these distance of hauls that you see in the table would represent the Group 3 volumes flowing at about a 25 to 30 percent load factor, in comparison to their peak demand.
201. So I just want to clarify that these are average annual numbers, and that's one of the things that we said you would have to look at if you were to consider a proposal such as the one that ATCO had presented.
202. **MR. SMITH:** So you didn't dispute -- just to go back to the question, I asked you. You didn't dispute -- there was no controversy over the distance of haul numbers on the record?
203. **MR. RITSCH:** No.
204. **MR. SMITH:** Okay. And let's just -- if I could ask you to look over on page -- so I'm still in the ATCO evidence, page 16, that's PDF 16. Actually, they serendipitously are the same on the hard copy. And it's Table 3, and that is -- if the court clerk could just scroll down; there it is, right there.
205. So in that document, it showed 2011 to 2017, enter Alberta delivery CDQ in terajoules per day, which showed the average annual increases in CDQ for the OSDAs, as increasing at 18 percent, Edmonton and Calgary as increasing at 4.1 percent, and the other category as increase -- sorry, decreasing slightly, 0.3 percent. Fair?
206. **MR. RITSCH:** I haven't checked the percentages, but I see the numbers, yes.
207. **MR. SMITH:** Okay. And that would suggest that there's more gas travelling further to the more distant Liege and Kirby major market areas, right?



The rate of increase?

208. **MR. RITSCH:** Well, I would say that the increase in volumes in the OSDA has been greater than in the Calgary-Edmonton areas over that period of time. I would also add that additional billing determinants being added to the system is also a benefit to the system.
209. **MR. SMITH:** No dispute with that.
210. **MR. RITSCH:** But yes, the volume increase into the OSDA has been greater than the volume increase into the Edmonton-Calgary market areas.
211. **MR. SMITH:** Thank you, sir. And if we could then turn to the NGTL written reply, which is C02725-2, and I'd like to start at PDF 12 of 30, Figure 2.5. Just let me know when you have that, sir.
212. **MR. RITSCH:** I have it.
213. **MR. SMITH:** Now, that table is -- describes the distance of haul growth by service type since 2011. You see that?
214. **MR. RITSCH:** Yes.
215. **MR. SMITH:** It doesn't disclose where the information came from, Mr. Ritsch, or how it was calculated. Can you help us a bit with that? For example, was that a volume weighted number?
216. **MR. RITSCH:** The percentage increases would have been the change in DOH over the period from 2011 to, in this case, 2018. You had pointed out the distance of haul information that was in the original evidence, that 2017 was the -- at that time, the latest information that we had. When we filed the reply evidence, at that point in time, we had the 2018 distance of haul information, so these percentage increases reflect that updated information.
217. **MR. SMITH:** But I'll go back to it. I asked you, is that a volume weighted number or is that just the absolute distance?
218. **MR. RITSCH:** Each individual year would be a volume weighted distance of haul, but the percentage change would just be the percentage difference between the two numbers for the respective years.



219. **MR. SMITH:** So part of the increase might be that more FT-D3 is transported to the more distant Liege and Kirby major markets since 2011? That would be one possible reason why that the distance of haul might be increasing for FT-D3?
220. **MR. RITSCH:** Can you repeat that, please?
221. **MR. SMITH:** Yes. So to use an example, Fort McMurray, if there was an increasing load in Fort McMurray for FT-D3 for ATCO Gas, that is more distant than Edmonton or Calgary, and therefore would contribute to the increase in the distance of haul for FT-D3, other things equal?
222. **MR. RITSCH:** If that was the case, I would agree with that. I'm not -- I don't have that breakdown with me.
223. **MR. SMITH:** That's fine. It was meant illustratively, sir.
224. Now, what I want to establish though, is that Figure 2.5 -- so the graph that we've just been referring to -- it doesn't contradict the fact that more gas over 2011 to 2017 is travelling to the more distant Liege and Kirby major markets, right?
225. **MR. RITSCH:** And it just represents the change in the distance of haul, Mr. Smith.
226. **MR. SMITH:** Thank you. And it doesn't contradict that the increase in the deliveries to the OSDAs were increasing at a rate of 18 percent, which is about somewhat more than four times the rate of the increases in the deliveries to the nearer Edmonton and Calgary major market areas, right?
227. **MR. RITSCH:** Those, were you referring to the volume increases in your last ---
228. **MR. SMITH:** I'm referring to the average annual increase from Table 3 of the ATCO evidence that we were just discussing.
229. **MR. RITSCH:** So those are the volume differences.
230. **MR. SMITH:** Thank you.



231. **MR. RITSCH:** But the volume differences are the differences that occurred over that period of time. And as I had indicated, those volume increases bring benefits to the system.

232. **MR. SMITH:** Thank you. Now, can we just quickly look at Figures 2.1 and 2.3 of your reply evidence? That's at PDF 9 and PDF 11. And perhaps if the Court Clerk could turn up Figure 2.1 first? I'm just going to ask you a general question about both of them.

233. So the Figure 2.1 is the ATCO Pipeline's revenue requirements. I think that's roughly 2012 through 2020, which is a forecast.

234. And then there is Figure 2.3, ATCO Pipeline's revenue requirement and FT-D3 revenues, 2012 again through approximately a 2020 forecast.

235. See those two graphs or figures?

236. **MR. RITSCH:** Yes.

237. **MR. SMITH:** Now, they both focus on ATCO Pipeline's revenue requirements, right?

238. **MR. RITSCH:** Yes.

239. **MR. SMITH:** And do they suggest that the Liege and Kirby major market areas are not more distant than the Edmonton and Calgary major markets?

240. **MR. RITSCH:** There's no reference to the Liege and Kirby markets and the distance of haul in these figures. The first figure is illustrating the change in the ATCO Pipeline revenue requirement, and we had indicated in the reply as to why we felt that was relevant.

241. **MR. SMITH:** But it's got nothing to do with the distance of haul?

242. **MR. RITSCH:** In relation to some of the other information you had referenced earlier with respect to the growth in the ATCO Edmonton and Calgary market areas, this would also demonstrate that we have a significant increase in cost in the area of the system that is used to serve ATCO Gas' market, and that significant cost in combined with actually not as significant of a volume growth in



those areas suggests that there's a very large unit cost being averaged into the system as a result of this. So that is one of the things we were trying to illustrate with this information in the evidence.

243. **MR. SMITH:** So the question I asked you is, it has nothing to do with distance of haul, right?

244. **MR. RITSCH:** Well, the second chart shows a change in the FT-D3 rate, which would reflect, in part, changes in distance of haul in aggregate for the intra deliveries over time.

245. **MR. SMITH:** Well, with respect, sir, it doesn't deal with the rate. It just talks about aggregate revenues. So I put it to you, neither one of those figures have anything to do with distance of haul, right?

246. **MR. RITSCH:** Well, the revenue is a function of the rate.

247. **MR. SMITH:** And the volume?

248. **MR. RITSCH:** Which is a function of the distance of haul.

249. **MR. SMITH:** And the volume?

250. **MR. RITSCH:** The revenue is a function of the volume as well, yes.

251. **MR. SMITH:** Thank you. So let's look at Figure 2-3 again, and there, you have modelled the green line at the top is the total ATCO Pipeline revenue requirement, right?

252. **MR. RITSCH:** Yes.

253. **MR. SMITH:** And are you suggesting that that total revenue requirement relates solely to deliveries to FT-D3 customers or does that also include the costs that would relate to the receipt function, I mean, ATCO Pipeline System as well as the FT-D2 deliveries?

254. **MR. RITSCH:** My understanding is there are some receipts and there is service under FT-D2 that is delivered or received onto the ATCO Pipeline System.



255. **MR. SMITH:** So it's not really a juxtaposition of the increase in the FT-D3 costs, it's actually a higher number which relates to all receipt and all deliveries, not just FT-D3, fair?
256. **MR. RITSCH:** What we're trying to illustrate in the graph is the trend in FT-D3 revenue as a function of the change in ATCO Pipeline's revenue requirement, given the close relationship between ATCO Gas' service and its requirement of the ATCO Pipeline System.
257. **MR. SMITH:** Sir, but you didn't include the FT-R revenues or the FT-D2 revenues, right?
258. **MR. RITSCH:** Well, the FT-R revenue is very small. I indicate that. But that wasn't the intent of the chart. The intent of the chart was to illustrate the change in revenue associated with FT-D3, primarily ATCO Gas' revenue in relation to ATCO Pipeline revenue requirement, and to illustrate the impact of ATCO Gas' proposal, which would result in a rate reduction that would be equivalent to rate, to revenues that were experienced in the 2014 timeframe prior to the \$100 million increase in revenue requirement on ATCO.
259. **MR. SMITH:** Well, you don't include the FT-D2 revenues either, right?
260. **MR. RITSCH:** No. Well, the intent of the chart, as I had indicated, wasn't to show total revenue on the ATCO attached to the ATCO Pipeline System versus the total ATCO Pipeline's revenue requirement. That wasn't the intent of the graph. The intent of the graph is to show the trend and the pattern of FT-D3 revenue, which is primarily associated with ATCO Gas' service, given their requirement in relationship to the ATCO Pipeline revenue requirement.
261. **MR. SMITH:** So do you know what the traditional split has been between delivery receipt, FT-D3 and FT-D2, of the ATCO Pipeline's revenue requirement, sir -- 50/50, 60/40?
262. **MR. RITSCH:** I believe ATCO Gas is accounted for roughly 60 percent of the billing determinants on the ATCO Pipeline System quite consistently over this period. The amount of receipt -- I don't have the receipt in FT-D2 split at hand.
263. **MR. SMITH:** That's fine.



264. Figure 2.2, which is on the preceding page, at PDF page 10, is a chart with ATCO Pipelines rate base with UPR expenditures, right?

265. **MR. RITSCH:** Yes.

266. **MR. SMITH:** And that figure is discussed in the page before it, page 9 of 30, if we might just turn there, in the middle of the page, lines 10 through 12. I'll just let the Court Clerk get to that page and you, Mr. Ritsch.

267. And what I'm referring to is the focus on UPR, lines 10 to 12, and it reads, and I quote:

"The forecast total cost for this initiative is 640 million by 2022, representing a significant portion, or approximately 30 percent of ATCO Pipelines' total rate base, as illustrated in Figure 2-2."

268. Correct?

269. **MR. RITSCH:** Yes.

270. **MR. SMITH:** So that is a 10-year period, 2011 to 2022? That's what you said in the quote, to 2022.

271. **MR. RITSCH:** I was just looking for the 2011, so I couldn't find that reference anywhere.

272. **MR. SMITH:** Oh. Well, so then it may be a nine-year; is that fair? This chart only goes to 2020, but you state in that evidence that it's 640 million by 2022.

273. Here's what I was trying to get at, sir, rather than trying to torture this with precision. I'm just trying to get a ballpark annual amount, okay? And if it's ten or nine years would you agree that it's approximately \$64 million a year since the total over the nine or ten years is \$640 million? Can we agree with that?

274. **MR. RITSCH:** Just a moment, Mr. Smith, while I look for some information.



275. **MR. SMITH:** Sure.

276. You're getting help behind you there, sir.

--- (A short pause/Courte pause)

277. **MR. SMITH:** So, sir, I'm just trying to get you to confirm that the rough annual average capital expenditure on UPR over that nine- or ten-year period was approximately \$64 million a year.

278. **MR. RITSCH:** Sorry, Mr. Smith. I was just looking to see if I had the data that was the '21 and '22. But how the UPR expenditures accumulate is illustrated in that Figure 2-2, so most of the expenditures are between 2015 and 2020 over that five-year period, as illustrated in the graph.

279. **MR. SMITH:** And the average annual amount over that period to 2022 you referred to on line 10 of your reply evidence would be approximately \$64 million is a year, isn't that fair?

280. **MR. RITSCH:** Well, if you divide \$640 by 10 you get 64, if you divide it by 5 you get \$130 million roughly but when I look at this graph that is predominantly over a five-year period.

281. **MR. SMITH:** But sir, the point is you gave us a ten-year or a nine-year period. You said the total was \$640 million. That's the figure you used. I'm just trying to say that over that same period the average annual would be somewhere in the range of \$65 million.

282. **MR. RITSCH:** Well, if you were to do that math over ten years, all I'm trying to illustrate is that most of the expenditures actually did occur over a shorter timeframe than that.

283. **MR. SMITH:** Okay. So do you have the Centra evidence, sir, Exhibit C01048-1? And I'm looking at PDF 5, hard copy page 4, and the document is up on the screen now, if that helps.

284. Just let me know if you do or when you do.

285. **MR. RITSCH:** I have it.



286. **MR. SMITH:** Thank you. So in Question and Answer 6, starting on line 7:

“NGTL's capital expenditures from 2010 through 2018 total \$8.5 billion.”

287. That's over eight years. That's somewhat greater than a billion dollars a year; is that fair?

288. **MR. RITSCH:** That's over nine years. So it would be somewhat of a lesser number than that.

289. **MR. SMITH:** Okay, so a shade less than a billion a year?

290. **MR. RITSCH:** About 900 million.

291. **MR. SMITH:** Okay. And then Question and Answer 7, if you look at that, sir:

“NGTL's capital expansion program from 2019 through 2022 is \$8.6 billion.”

292. Now, is that four or five years, sir?

293. **MR. RITSCH:** That would be four years.

294. **MR. SMITH:** Thank you. And at four years that would be approximately \$2.3 billion per year?

295. **MR. RITSCH:** Well, a little more than \$2.1 billion percent year.

296. **MR. SMITH:** Two point one (2.1). And you accept that information. It's footnoted with references to Centra NGTL \$1.2, but you wouldn't disagree with those numbers; they would be accurate?

297. **MR. RITSCH:** I don't disagree with these numbers. I would just add that there are significant levels of additional billing determinants that also come with these numbers ---

298. **MR. SMITH:** Agreed, agreed.



299. **MR. RITSCH:** --- when thinking about the overall impact to the costs and toll on the system.
300. **MR. SMITH:** And if I was to look at the period covered by both of those figures 2010 to 2022, 12 years, with 17.1 billion total, would that be something in the range of \$1.4 billion percent year, sir?
301. **MR. RITSCH:** Roughly. I get about 1.3.
302. **MR. SMITH:** Okay. So you would agree that that's in the range of or around 20 times more per year than UPR at \$64 million.
303. **MR. RITSCH:** Well, again, as I had indicated earlier, you can't just look at the cost changes in isolation. You need to look at what else is happening on the system.
304. **MR. SMITH:** Okay.
305. **MR. RITSCH:** These capital expenditures on NGTL are associated with significant increases in billing determinants, including in the OSDA, as we had indicated earlier. The capital additions in the Calgary and Edmonton market areas are associated with much less increases in billing determinants and resulting in much greater increases in unit costs being averaged into the system as a result of that.
306. **MR. SMITH:** And much less of a distance to serve those increasing requirements in the OSDA with new pipe; fair?
307. **MR. RITSCH:** Can I have that again?
308. **MR. SMITH:** And accordingly, they would be much less than the additional cost which you referred in the Liege and Kirby OSDAs, which are more distant. And your point was that you were adding capacity to deal with those requirements over the same period.
309. **MR. RITSCH:** Well, this comes back to the whole point that we were trying to make in our reply evidence, Mr. Smith. ATCO in its evidence was solely looking at distance of haul and the change of distance of haul from between the OSDA and the Calgary-Edmonton market areas. And we're suggesting that if



you're to go down a path of a proposal such as ATCO's there's other things we need to look at to determine -- do the rates that fall out of that proposal appropriately reflect the costs providing a service into those areas? And we are pointing to some factors and some things that we were noticing that would suggest that that was not necessarily the cases.

310. **MR. SMITH:** Okay. Can you ---

311. **MR. RITSCH:** So I just have a problem with just solely focusing on the change and the difference in distance of haul for the OSDA, versus Calgary-Edmonton, when yes, there are additional capital expenditures but if you looked at the same IR response that ATCO used in its evidence, ATCO-11, there is upwards of three BCF of additional billing determinants in the OSDA, which is a significant benefit to the system.

312. **MR. SMITH:** Thank you, sir. Does the 2022 figure include the North Corridor Expansion Project, sir?

313. **MR. RITSCH:** Can you repeat the question?

314. **MR. SMITH:** Sure. Does the 2022 figure -- that's the capital expansion figure -- include the North Corridor Expansion Project, which I understood was to be in service April 2022? Does that sound right?

315. **MR. PRIOR:** That is included in the 2022 facilities, yeah.

316. **MR. SMITH:** And I don't think we need to turn it up. It was referenced in NGTL CER 2.1. I'll give you the more particular reference if you need it, but subject to check, can you agree that that expansion was estimated at 632 million, approximately?

317. **MR. PRIOR:** I'll probably just take a second to check that, actually.

318. **MR. SMITH:** Sure. NGTL CER 2.1, PDF 6 of 8, Exhibit C03333-1.

319. **MR. PRIOR:** The estimate was 632 million.

320. **MR. SMITH:** Right. So almost the 640 million. And that was two segments of 48-inch loop, one segment of 36-inch loop, 81 kilometers of loop. Fair?



321. **MR. PRIOR:** I'll have to double -- I don't have that sitting -- the numbers I have don't exactly with what you're suggesting, so I don't know. I'll probably have to -- subject to check.
322. **MR. SMITH:** Well, when I say included, it wasn't the totality of it, but that was part of it. Can you agree with me that far? I'll tell you what.
323. **MR. PRIOR:** Okay.
324. **MR. SMITH:** Rather than pressing that, we'll go through the map. I think that's maybe an easier way to do it.
325. Can you agree that the purpose of the project was to increase pipeline capacity to transport gas from NGTL's system Peace River Project Area, the PRPA, to growing intra-basin markets located in the North of Ben Lake Area, NOBA, N-O-B-A?
326. **MR. PRIOR:** So I don't have that -- details of that proceeding in -- sitting in front of me here, but I'll -- subject to check.
327. **MR. SMITH:** Okay. And why don't we turn up Appendix 7 to your application, which is the system map, which is quite detailed. And what I'd ask the Court Clerk to do is to scroll up to the top of the map. I found that 150 percent was the magnification that allowed a person with suspect eyesight to actually discern the lettering there. And it may take a little more than that. Now, if you could scroll up a little -- sorry, I meant scroll down. If you could move the Alberta border further North -- a little higher, if you don't mind. No, no. Other way. No. Yeah.
328. So if you could keep going -- okay. If we just stop right there, and then blow -- what I'm -- let's, if you wouldn't mind, going -- showing the B.C. border, we'll start there.
329. Would you agree -- could we just stop there?
330. So do you see, gentlemen, where Chinchaga is? It is just the -- I don't know if somebody has -- who has got that cursor, but it would be helpful if you could -- you see the intersection? If you read the lettering on the map, it actually identifies the loop associated with the North Corridor Expansion.



331. Can you see that, gentlemen? On your maps?
332. **MR. COOPER:** Yes. We can see that.
333. **MR. SMITH:** Okay. And there's a green area that it traverses -- I'm just trying to locate -- for the purposes of the transcript, I'm just trying to locate this, Mr. Chairman, on the map. But there's a green area -- Northwest Mainline number 3 -- this line that I'm trying to -- or path I'm trying to follow starts with Chinchaga and extends along the southern perimeter of that green area, through to number 1 UPRM, and there's a couple of red loops there. And if you can blow that up, you can see it says North Corridor Expansion; fair? And that carries into the MRTN number 6. You see that?
334. **MR. COOPER:** Yes. I see that.
335. **MR. SMITH:** And then there is another red loop identified as part of the corridor, which is the -- towards the right side of the MRTN. And that's part of the same project, right?
336. **MR. COOPER:** Yes. It is.
337. **MR. SMITH:** And then the line heads south and then to the east, over to where it connects with the Buffalo Creek Compressor which is part of it as well, right? Do you see it -- the Buffalo Creek Compressor Station? It says, "CS" in red.
338. **MR. COOPER:** Yes. The Buffalo Creek Compressor Station is not part of the NCE project.
339. **MR. SMITH:** And what about the Mildred Lake East Sales, is that part of North Central Corridor, or sorry, Northern Corridor Expansion?
340. **MR. COOPER:** Mildred Lake East Sales is not part of the North Corridor Expansion Project.
341. **MR. SMITH:** Okay.
342. The Liege and Kirby areas -- now this is a system segment code for design purposes, but can you confirm that Liege and Kirby are in the NOBA, N-



O-B-A, North of Ben Area?

343. **MR. COOPER:** Yes. I can confirm that.
344. **MR. SMITH:** And it's clear that that project and those facilities that run from the B.C. border across to Liege and Kirby, they connect with a whole network of pipelines located in, again, those most northerly planting areas; fair?
345. **MR. COOPER:** Yes. NGTL is a reticulated network system, so there is lots of connections.
346. **MR. SMITH:** Right. And they are well north of Edmonton?
347. **MR. COOPER:** Sir? They are north of Edmonton, yes.
348. **MR. SMITH:** Can you turn up Figure 2-4, please, of your written -- sorry, you're reply evidence -- PDF 12 of 30? Just let me know when you have it, sir. It's on hard copy page 11. It's on the screen if that helps you.
349. **MR. COOPER:** Yes.
350. **MR. SMITH:** Now, the path that we were just following on the more detailed map, can you agree that it lies in the uppermost part of that Figure 2-4 and it is a line extending from the B.C. border all the way across to Liege and Kirby? That's the one we were just discussing on the more detailed map, fair?
351. **MR. COOPER:** Yes, that is the line we were discussing.
352. **MR. SMITH:** Thank you. And can you confirm that none of the receipt points displayed there as serving the Edmonton and Calgary FT-D3 delivery points are located along the path extending from Chinchaga near the B.C. border through to Liege and Kirby?
353. **MR. COOPER:** No, I cannot confirm that. So if you look on the west side, those blue dots that are on the Groundbirch Mainline, so they are just outside the Alberta border there, and some of the points are just inside Alberta, just east of that section of points. Do you follow where I'm at there?
354. **MR. SMITH:** So Groundbirch, again, for the benefit of the transcript, sir, the Groundbirch ---



355. **MR. COOPER:** The collection of points just west of the Alberta border.
356. **MR. SMITH:** Right, in B.C.?
357. **MR. COOPER:** In B.C.
358. **MR. SMITH:** And?
359. **MR. COOPER:** And some of the points just east of the border, those all come in into our Saddle Hills Compressor Station.
360. **MR. SMITH:** Right.
361. **MR. COOPER:** And then from that point, they split north and south.
362. **MR. SMITH:** Right.
363. **MR. COOPER:** And the flow goes north, actually, up over the lines we were just discussing and then it comes further down and actually past North of Bens and past the Edmonton area. So that gas does actually flow past down that route, as we're moving -- using that expansion, even though we have a trigger in increasing FT-D contracts in the OSDA area. It's for aggregate system need and the Edmonton demand is also met through pathing gas over the north.
364. **MR. SMITH:** So you said to markets in the North of Ben area?
365. **MR. COOPER:** Sorry, the gas is pathed. It actually flows past North of Bens at times and does feed the Edmonton market.
366. **MR. SMITH:** So the gas in your evidence is going north to Chinchaga, across the entire -- it would be -- I'm trying to think of the name for that line, sir. It includes the North Corridor Expansion?
367. **MR. COOPER:** Yes, it would be the NCC which is part of the North Corridor original pipe before we started expanding with the North Corridor.
368. **MR. SMITH:** What does that acronym stand for, sir?



369. **MR. COOPER:** The North Central Corridor.
370. **MR. SMITH:** Thank you. So it traverses the North Central Corridor to directly connect with the Liege and Kirby area; is that fair?
371. **MR. COOPER:** Physically, yes, it connects to that area.
372. **MR. SMITH:** Okay. And then by virtue of physical flow or displacement, serves other markets that I think that was the force of your comment earlier; is that fair? Take your time.
373. **MR. COOPER:** So one of the major feeds into the Edmonton area is called Inland, and it actually comes into the system or it's fed at times over the NCC, so gas is flowing past the OSDA and into the Edmonton area.
374. **MR. SMITH:** Thank you.
375. Could I just have a moment, please?
376. Good, thank you. Gentlemen, that's all I had.
377. **THE PRESIDING COMMISSIONER:** Thank you, Mr. Smith.
378. Mr. Duncanson, any redirect at this time?
379. **MR. DUNCANSON:** If it suits the Commission, Mr. Chairman, we'll hold any redirect until after all the cross-examination.
380. **THE PRESIDING COMMISSIONER:** Thank you.
381. I would propose we take a coffee break about now, and when we reconvene, we'll have Centra Gas starting its cross. Thank you.

--- Upon recessing at 10:24 a.m./L'audience est suspendue à 10h24

--- Upon resuming at 10:45 a.m./L'audience est reprise à 10h45

RICHARD PRIOR: Resumed

MICHAEL RITSCH: Resumed



BLAINE TROUT: Resumed

PENELOPE ECHENAGUSIA: Resumed

COLIN COOPER: Resumed

JOHN J. REED: Resumed

TOBY BISHOP: Resumed

382. **THE PRESIDING COMMISSIONER:** Ms. Van Iderstine?

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

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

384. To the Panel from NGTL, I haven't identified on my questions any specific people to answer any of them, so I'll leave it to you to decide who's best positioned to answer any of my questions, okay?

385. So just to start off with, you'll recall -- and I'm not going to go over the questions that my friend just asked you -- but he had asked you about to confirm the value of NGTL's capital expansion on the NGTL System from 2010 to 2018, and that it was \$8.5 billion. Do you recall that?

386. **MR. PRIOR:** Yes.

387. **MS. VAN IDERSTINE:** And that in July 2019 in a response to Centra's NGTL 1.2(b), NGTL stated that its near-term capital expansion program was about 8.6 billion. Do you recall that?

388. **MR. PRIOR:** Yeah, I think that's what we had in the response, yes.

389. **MS. VAN IDERSTINE:** Yeah. And am I correct in understanding that since that time, TC Energy updated that figure and announced on November 1st, 2019, further expansions such that NGTL is now advancing a \$10 billion System Expansion Program?

390. **MR. PRIOR:** Yeah. So I think the information as -- that you're referring to came out of one of our financial quarterly updates, and so when that information was rolled together, it was actually a combination of one that was on the NGTL System and outside of the NGTL System. So the work specific to NGTL or the capital program is actually \$9.2 billion.



391. **MS. VAN IDERSTINE:** So what I was referring to -- and that's in our aid to cross-examination which we provided to you -- it was the natural gas pipeline recent development that came from your investors' statement.

392. **MR. PRIOR:** Yes.

393. **MS. VAN IDERSTINE:** Do you have that?

394. **MR. PRIOR:** I do, yes.

395. **MS. VAN IDERSTINE:** And actually, what it says is,

"Now advancing 10 billion NGTL System expansion program that will add 3.5 Bcf per day of delivery capacity."

396. **MR. PRIOR:** And the correct amount of that expansion program is \$9.2 billion to add 3.5 Bcf in capacity.

397. **MS. VAN IDERSTINE:** In any event, it has increased a little bit from the 8.6 from July?

398. **MR. PRIOR:** It has.

399. **MS. VAN IDERSTINE:** And over what period of time is that \$9.1 billion system expansion taking place; can you tell us?

400. **MR. PRIOR:** Yeah. So that expansion program is -- you know, it takes place from now until through the end of 2023.

401. **MS. VAN IDERSTINE:** And so with that number in place, it would be fair to say that you -- between 2010 and 2023, NGTL will have undertaken approximately -- with that adjustment -- \$17.6 billion of capital expenditures to its system; is that correct?

402. **MR. PRIOR:** That's correct.

403. **MS. VAN IDERSTINE:** And I can appreciate that NGTL may not have finalized any of the facility requirements beyond the near term, but can you tell us if NGTL anticipates requiring additional capital expansion in 2023 and beyond?



404. **MR. PRIOR:** Okay. So at this time, we do have some incremental contracts for intra-Alberta demand. We're still evaluating what those contracts would mean in terms of if there's any capital buildout or program required on the system. So -- and I can't speak to anything beyond that.

405. **MS. VAN IDERSTINE:** But you'd agree that the export intra-basin demands served by NGTL are forecasted to grow to 2030?

406. **MR. PRIOR:** Yeah. I believe there's a continued forecast.

407. **MS. VAN IDERSTINE:** And during that timeframe you'd -- there would be expectations that you'd have to undertake capital to support it?

408. **MR. PRIOR:** I'm not sure at this time if we would have to expend additional capital to support that.

409. **MS. VAN IDERSTINE:** Are you generally aware of the competitive challenges that TCPL Mainline faced over the past decade?

410. **MR. REED:** I certainly am. I think the panel generally is.

411. **MS. VAN IDERSTINE:** And as a result of that, in 2011, TCPL Business and Services Restructuring proposal identified those commercial challenges that Mainline faced, and that was issues that were raised in that proceeding before this Board?

412. **MR. REED:** Yes, they were.

413. **MS. VAN IDERSTINE:** And was one of the commercial challenges that the Mainline faced underutilized assets causing higher tolls and the concern about uneconomic capacity?

414. **MR. REED:** Underutilized in terms of firm contracting, yes. Not in terms of flows, but in terms of firm contracting.

415. **MS. VAN IDERSTINE:** And the result was a concern about uneconomic capacity?

416. **MR. REED:** You might have to provide me a reference to the term



“uneconomic capacity” and I’m not sure if you’re talking about a concern of TransCanada’s or of others.

417. **MS. VAN IDERSTINE:** I’m just going to move on from that for a second. The restructuring application precipitated a 72-day hearing though, to address these concerns?

418. **MR. REED:** I remember it vividly.

--- (Laughter/Rires)

419. **MS. VAN IDERSTINE:** As do, I’m sure, a number of other people here.

420. And at that time, the Canadian rate base at that time for TCPL in the restructuring proposal was about \$6.2 billion. Do you recall that?

421. **MR. REED:** I can accept that. Yes.

422. **MS. VAN IDERSTINE:** So would you agree that NGTL’s average rate base at the end of 2018 was 8.3 billion, and then we spoke about another 9.1 billion of capital to be added between 2019 to 2023. So this would mean that there is a considerably -- this is all considerably higher than what was the concern for TCPL at the time of the 2011 hearing and decision?

423. **MR. PRIOR:** I think that the rate base was a bigger number, but the contracted volume that is contracted on the NGTL system is also quite a bit higher as well.

424. **MS. VAN IDERSTINE:** I’m sorry. I’m not understanding what it is you just said.

425. **MR. PRIOR:** I think you were comparing that the rate base between the Mainline and NGTL; were you?

426. **MS. VAN IDERSTINE:** Right. So if you think about that the 9.1 billion that you’re bringing into capital expenditures, but it’s coming forward for NGTL over the next few years -- that will eventually find its way into the rate base, I take it?



427. **MR. PRIOR:** Yes.
428. **MS. VAN IDERSTINE:** And so that 17.9 billion is considerably higher than the 6.2 billion that was of concern for TCPL in 2011?
429. **MR. PRIOR:** It's a higher number but I'm not sure that I agree with your characterization of the concern or that the, you know, the situations are really all that comparable.
430. **MS. VAN IDERSTINE:** Okay. You'd agree though that underutilization can occur when shippers elect not to renew their contracts?
431. **MR. PRIOR:** I get that could occur.
432. **MS. VAN IDERSTINE:** And that the level of tolls can have an impact on the contract renewals and that new contracting?
433. **MR. REED:** Yes. I accept that the level of tolls can have an effect on contracting.
434. **MS. VAN IDERSTINE:** Yes. With general lumen, the higher the tolls, the less economic or desirable the capacity is to shippers?
435. **MR. REED:** All other things being equal, yes.
436. **MS. VAN IDERSTINE:** And has NGTL considered what level of toll increases would start to impact contract renewals on the NGTL system?
437. **MR. PRIOR:** I think over the last several years, the tolls on the NGTL system have remained relatively stable and we certainly are not at a place right now where increasing tolls seems to be changing contracting behaviour.
438. **MS. VAN IDERSTINE:** Have you considered what level that toll impact it would be before that change of behaviour would occur?
439. **MR. PRIOR:** I'd say with all our decision making we're considering the impact on tolls, but way we forecast the build of our system is we look at the contracts, we look at the utilization, and we look at peak flows. And we design and invest capital accordingly, such that we do keep that in mind, but I can't say that we have performed this specific study to assess at what toll change there's a



-- there would be a change in contracting behaviours.

440. **MS. VAN IDERSTINE:** Do you have an opinion on what percentage a toll increase could start and impact the toll of the contract ---

441. **MR. PRIOR:** I don't have a specific opinion, but I know that we don't seem to be anywhere near that position right now.

442. **MS. VAN IDERSTINE:** Now, you'd been aware of an application by NGTL currently before the CER seeking approval for the Edson Mainline Expansion Project?

443. **MR. PRIOR:** Yes.

444. **MS. VAN IDERSTINE:** And if we could have CER NGTL IR 2.1 from the Edson Mainline project brought up, that was in the aid to cross-examination.

445. **THE REGULATORY OFFICER:** Do you have an exhibit number for that reference?

446. **MS. VAN IDERSTINE:** That was the aid to cross-examination that we had provided on Friday, and it may have been -- I'm sorry to say ---

447. **THE REGULATORY OFFICER:** I have it. It's okay.

448. **MS. VAN IDERSTINE:** Oh. You got it. Great. And it will be the fourth item in that. Page 3 of 3, if you can scroll down on that. There we go. That's it. Thank you.

449. So this would be the toll outlook for the years 2020 to 2024, filed by NGTL as part of an information request response. Is that right?

450. **MS. VAN IDERSTINE:** That was

451. **MR. PRIOR:** Yes. That's correct.

452. **MS. VAN IDERSTINE:** And these are based on the current rate design?



453. **MS. ECHENAGUSIA:** That is correct.
454. **MS. VAN IDERSTINE:** And if you'll look at the average, which is the first line there, going from 2020 to 2024, we've done -- I've done a calculation on it and it appears that it's an increase of about 28.5 percent. Would you accept that, subject to check?
455. **MR. PRIOR:** I can agree with the math that's on the table. Yeah.
456. **MS. VAN IDERSTINE:** And the FT-D1 Eastgate shows a toll increase from 2020 through to 2024 of about 18.7 percent, again subject to check.
457. **MR. PRIOR:** Yeah. Again, I can agree with the math on the table.
458. **MS. VAN IDERSTINE:** And the FT-D1 Westgate, again from 2020 to 2024 shows a toll increase of 16.7 percent.
459. **MR. PRIOR:** Okay.
460. **MS. VAN IDERSTINE:** So you'd agree that the revenue and requirement is increasing over time, and tolls will also increase over time with everyone paying more?
- (A short pause/Courte pause)
461. **MR. PRIOR:** So if you look specifically at the table on page 3 of 3, when you look at the forecast from '20 to '24, I think it's probably important also to go back to the table that we provided on page 1 of 3 that shows tolls through 2010 through 2016. And as you can see in the past, I think tolls have actually -- there was a dip, and now they have started to increase. And so I think tolls are -- still stand by -- have been relatively stable over a long period of time.
462. **MS. VAN IDERSTINE:** Fair enough. But if you look -- but there's -- the accuracy of the table you presented, as I've just shown you, is accurate as well.
463. **MR. PRIOR:** Well, the table that you've shown me on page 3 is a forecast.
464. **MS. VAN IDERSTINE:** And one which you produced?



465. **MR. PRIOR:** It's a forecast that we produced, yes.
466. **MS. VAN IDERSTINE:** And if tolls increased on this magnitude were expensed over the next five years, would you agree that those increases may impact contract renewals during that same period?
467. **MR. PRIOR:** I don't think that I agree that it will impact contract renewals over that time period.
468. **MS. VAN IDERSTINE:** And again, you haven't done any study on that though?
469. **MR. PRIOR:** I would say I haven't done a specific study, but we're -- you know, we're looking at current contracting behaviour on the pipeline and so I don't feel that we're going to have a change in contracting behaviour over that timeframe.
470. **MS. VAN IDERSTINE:** So you would though agree that if renewals decline in response to those forecasted toll increases, that may contribute to an underutilized asset from the system?
471. **MR. PRIOR:** I think you could look at the tolls independently, but I think what's more important is that you actually look at the way in which the System's evolving. We're in a state where declines are happening throughout the NGTL System with the exception of the Peace River. We're going from a period in 2023 where 36 percent of the supply was provided from outside the Peace River, by 2018, only 20 percent.
472. What we're observing is that wells are not being drilled outside the Peace River. In fact, less than two percent of drilling is happening. So it's very important that the NGTL System, through the addition of facilities, adapts to allow that incremental supply that's coming from different parts of the system to connect, not just to meet those incremental contracts, but to meet existing contracts on the system.
473. So although there may, at times, be toll increases, those toll increases ensure that the most economic supply is able to make it to the markets. And we believe that over the long term, that provides a greater competitiveness for the basin and competitiveness of the basin is what will ensure high throughput on the



system and will keep tolls down over the long term.

474. **MS. VAN IDERSTINE:** So I'm going to come back to that Peace River in a moment, but -- because I think that was an important point. I just wanted to follow up on some further issues on the underutilization.

475. In response to CER IR Number 4, NGTL stated:

"The ongoing interactions of supply, market trends, and infrastructure developments make any long-term forecast inherently uncertain and subject to change."

476. Do you recall that, and that's still accurate?

477. **MR. PRIOR:** I think just in general, that is the nature of forecasting. Forecasting assumes that there are assumptions made in coming up with them and that they not history, they are a look at the future. And so forecasts do change.

478. **MS. VAN IDERSTINE:** And sometimes those forecasts that underpin the need for new facilities don't always prove to be correct, and those forecasts are not always borne out; is that fair to say?

479. **MR. PRIOR:** Sometimes forecasts are low, and sometimes forecasts are high.

480. **MS. VAN IDERSTINE:** Now, could we have Figure -- Exhibit C00654 which is Centra NGTL 2.6(d) brought up? It's on page 20 of 29 of the -- thank you.

481. So if you look at that figure, which is found, as I've referenced, you'll see that the top line there, as I understand it, represents the Horn River capacity. Is that what you understand that to be?

482. **MR. PRIOR:** That's correct.

483. **MS. VAN IDERSTINE:** And the second line across the top is the capacity of that system with -- of Horn River without Kyklo section; is that correct?

484. **MR. PRIOR:** That's correct.



485. **MS. VAN IDERSTINE:** And the bottom graph represents the actual contract volumes?
486. **MR. PRIOR:** Yes, that's correct.
487. **MS. VAN IDERSTINE:** So again, in 2010, I understand that NGTL applied to the NEB to construct facilities in the Horn River Basin and that's this facility that we're talking about right now on that graph?
488. **MR. PRIOR:** Yes, it is.
489. **MS. VAN IDERSTINE:** And in doing so, it relied upon a forecast of future demand, I presume?
490. **MR. PRIOR:** Yes, there was a forecast involved, but there were also contracts on the system that were signed that were underpinning the expansion.
491. **MS. VAN IDERSTINE:** And on the basis of that forecast and those contracts, the Horn River Project was designed in 2010 for a maximum of one million cubic feet per day; is that correct?
492. **MR. PRIOR:** I believe they were at the time, but I think to probably go a little bit further with our answer, utilization is not an issue right now on the NGTL System. In fact, utilization across the broader system base is as high as it's ever been and it's increased in all of the last four successive years by about five percent, to the point that the aggregate system is now greater than 80 percent utilized.
493. I think to point out one very small segment of the NGTL System and suggest that this is a representation of forecasting or represents a utilization risk is a very, very narrow view of the NGTL System as a whole.
494. **MS. VAN IDERSTINE:** But you would agree that the current firm contract quantities on Horn River are about 1.85 million cubic feet per day, so about 10 percent of what was initially forecast and contracted for?
495. **MR. PRIOR:** I believe it's 185 a day is the contracts right now.
496. **MS. VAN IDERSTINE:** So about 10 percent of what you initially



had forecasted for?

497. **MR. PRIOR:** On this very specific segment of NGTL.

498. **MS. VAN IDERSTINE:** And can you tell me, were those contracts that you initially contracted for four to seven years?

499. **MR. PRIOR:** So one thing I just want to clarify is, it's about 28 percent of the capacity of the Horn River line, not 10 percent, right? Ten (10) percent is one specific segment of it.

500. **MS. VAN IDERSTINE:** Going back to my question there though, was that the contracts that underpinned the application, were those contracts four to seven years in length?

501. **MR. PRIOR:** I don't have the specific numbers in front of me, but I accept that that's in the range and we'll accept, subject to check.

502. **MS. VAN IDERSTINE:** Thank you. And am I correct to assume then that the majority of those contracts did not renew their contracts?

503. **MR. TROUT:** I guess a view of a majority is up to someone's discretion, but approximately 185 million cubic feet per day of that contract continues to be utilized on the North Montney facilities.

504. **MS. VAN IDERSTINE:** Of the estimated 1,008 or one billion -- sorry, 1.081 million cubic feet per day which was initially forecast?

505. If it will help -- sorry, I may have just confused you. If you just look at that graph, the maximum design flow is actually what I was referencing. And you would have had contracts that would have supported that kind of forecast. And if you look at the graph, that identifies the maximum design flow.

--- (A short pause/Courte pause)

506. **MR. TROUT:** Just to clarify, and sorry, through looking through data, we have forgotten your question. Is your question simply that ---

507. **MS. VAN IDERSTINE:** I was starting to wonder. Go ahead.



508. **MR. TROUT:** Well, maybe if you don't mind repeating the question, that would be helpful.
509. **MS. VAN IDERSTINE:** So again, so looking at that graph, the design flows shows a maximum flow of what?
510. **MR. COOPER:** So the chart shows a maximum capacity of about 640 million cubic feet a day.
511. **MS. VAN IDERSTINE:** Okay. And so that's what you were designing for and that's what you expected the contracts to -- would underpin that build?
512. **MR. COOPER:** At the time, yes, the contracts were underpinning that.
513. **MS. VAN IDERSTINE:** And as you said, it did not actually work out that way?
514. **MR. COOPER:** Apparently the contracts were 185 million a day.
515. **MS. VAN IDERSTINE:** And the cost of that project was about 344 million? If you want a reference, it's Centra's C01048-1, Centra's evidence PDF page 9 of 42. And it comes from NGTL's annual plan.
516. **MR. COOPER:** Yes, that's correct.
517. **MS. VAN IDERSTINE:** So a majority of the cost of the project is not currently being covered from revenues by shippers using those facilities? Is that fair to say?
518. **MR. PRIOR:** And I don't think we look at it that way. I think we look at it as an aggregate system and aggregate revenues across the system, so without segmenting for a specific and relatively short kilometre section on the NGTL System.
519. **MS. VAN IDERSTINE:** So you build this section of pipe and it's not being -- not currently being utilized as you expected, and the result is that the remaining shippers on the system are paying for it through tolls. Is that fair to say?



520. **MR. PRIOR:** The shippers on the system pay for transportation. And I think that we are -- as I said, we don't have a broad utilization issue or on the system. And in fact, utilization is higher than it's been in, you know, perhaps certainly in the last four years.
521. And the recovery of tolls is based on the aggregate revenue across the aggregate system. So I don't look at it specific this Horn River segment.
522. You know, I'd also point out that we have hundreds and hundreds of kilometres of pipeline on the NGTL System that is over utilized, that is moving gas far beyond what our forecasted expectations were.
523. **MS. VAN IDERSTINE:** That's good.
524. **MR. PRIOR:** And in general, I think that's actually the issue that we have right now on the NGTL system, is that we have such overutilization that we have bottlenecks across the system. And that is generally what is driving that capital build out program, is to debottleneck the system such that ---
525. **MS. VAN IDERSTINE:** Well let's ---
526. **MR. PRIOR:** --- we can get gas from where it's being produced, which is migrating over time to where the demand is.
527. **MS. VAN IDERSTINE:** So I don't want to belabour the fact that there will be segments that are underutilized that all shippers then ultimately pay for? Because you're talking about it as being an integrated system. Is that fair to say?
528. **MR. PRIOR:** It is an integrated system.
529. **MS. VAN IDERSTINE:** So between July 31st, 2018 and July 31st, 2019, there would be approximately 25 percent of eligible contract volumes on the system were not renewed. Is that correct?
530. **MR. PRIOR:** Yeah, just a second, we're going to pull our contract we have.
531. **MS. VAN IDERSTINE:** Okay.



532. **MR. PRIOR:** The period that you asked about?

533. **MS. VAN IDERSTINE:** July 31st, 2018 to July 31st, 2019. And if you're looking for a cite on that, that was in C01726-2, CAPP Centra 1.2(a), PDF page 6 13 -- 6 of 13, excuse me.

--- (A short pause/Courte pause)

534. **MS. VAN IDERSTINE:** Okay. Sorry, just to clarify, in case I misstated that, I should have said it was receipt contracts only.

535. **MR. TROUT:** Sorry, can you repeat the reference to where we would find that? I'm seeing a little bit different numbers.

536. **MS. VAN IDERSTINE:** So I took you to C01726-2, exhibit, CAPP Centra 1.2(a), PDF page 6 of 13. And the response there includes that information with the reference to where that information came from. Do you have that?

--- (A short pause/Courte pause)

537. **MR. TROUT:** Yes. I see those numbers and accept them. I think the one thing to note though is that NGTL designs our system to meet the aggregate system flow. So that basically looks at what the peak demand day or peak system flow is -- the highest flow day of the year.

538. So this is really the system coming into the balance and NGTL's response to NEB -- I believe it was 4.7, NGTL provided an updated contracting graph which actually shows that both in 2019 and then coming into balance again 2023, FT-R and FT-D contracts are almost in perfect balance.

539. That happens for two different reasons. One is incremental delivery contracts that have happened over the time, but also some non-renewals are expected to happen, particularly in periods when you have high contracting. But what we experience over time is that the system finds, through market forces, balance.

540. **MS. VAN IDERSTINE:** Okay. Thank you.



541. So if we could bring up Centra's aid to cross-examination that we previously provided, the NGTL contract non-renewal summary as of November 1st, 2019? And that will be -- yes. If you scroll down on that, it's the last page of that. Yes -- just went past it. There we go. So we may need to increase that in size if you can't see it. Do you need a copy of that in paper form or something? No, you've got it? Good.

542. So looking at this document on the second chart on the page, which is the lower one -- so if we just want to bring that one up -- you'll see -- it's the NGTL Receipt Contracts Non-renewal Summary. And if we look at the last column on the non-renewals and down to the August and September 2019, which are the last two rows, you'd agree that the combined total of non-renewals is just over -- excuse me -- just over 6 million cubic meters per day that were not renewed in those two months. Is that fair to say?

543. **MR. TROUT:** That looks approximately correct.

544. **MS. VAN IDERSTINE:** And if you look to the column to the left of that, you'll see that that column is the contracts that were eligible to be renewed. And in that -- those two -- in that column, again for September and -- August, September 2019, the amount that was eligible to be renewed was approximately 19 million cubic meters. Is that accurate?

545. **MR. TROUT:** Yes.

546. **MS. VAN IDERSTINE:** So again, this would show that 25 or, in fact, 30 percent of the receipt contracts in that period of time were up for renewal during this period and were not renewed?

547. **MR. TROUT:** Yes. That's correct.

548. **MS. VAN IDERSTINE:** Has NGTL done any analysis of the number of shippers who were in the first term of an eight-year contract or less who did not renew?

549. **MR. TROUT:** I can't say we've done a specific analysis in that regard. We look at the way in which renewals happen in different segments of the system and how that can have an impact on facility requirements and through our regular process, evaluate whether that would have any change to system requirements. But we look at that on an aggregate and particular segment of the



system, not on a contract-by-contract basis.

550. **MS. VAN IDERSTINE:** And so if that trend were to continue with 25 or 30 percent of all receipt contract quantities not being renewed, would that put the pipeline at risk of having underutilized assets?

551. **MR. TROUT:** Can I have the Court Clerk pull up NGTL's response to CER 4.7, hard copy page 2 of 2?

552. **THE REGULATORY OFFICER:** Can you repeat that number, please?

553. **MR. TROUT:** It's NGTL's response to CER 4.7. It's Figure CER 4.7-1, and I believe it's on page 2 of that response.

554. And if it helps, Ms. Savoie, I believe it's PDF 29. Thank you. That's perfect.

555. So I just wanted to pull up this diagram. It's the one I referenced earlier. It's very important to understand the way in which the NGTL system is designing to meet aggregate system flows.

556. You can see the orange line, which is FT-R contracts on the system, and the purple line, which is FT-D contracts. So although those may not match at points in time -- in particular you can look post-November 2019 -- FT-R contracts on the system actually exceed FT-D.

557. However, NGTL is not constructing facilities to meet that FT-R line; we're looking at the design in the peak flows expected on the system in designing to meet that which, for example, in the period between November 2019 and November 2020, delivery contracts are closely aligned to the peak flow, whereas FT-R contracts are not.

558. So it's not unexpected that there will be some FT-R de-contracting over that period and the market response to basically allow, over time, the system to balance. And that's what you could see in 2019. The system was roughly balanced and then by 2023, the system again achieves that balance, with FT-R and FT-D in approximate balance. And the grey line again shows the facilities and the capacity that NGTL is building to construct.



559. **MS. VAN IDERSTINE:** Okay. So I don't think you answered my question, that if 25 to 30 percent of all receipt contract quantities are not renewed, would you then say the pipeline would be at risk of underutilized assets?
560. **MR. PRIOR:** Yeah. And I think, you know, Mr. Trout was just trying to make sure he gave -- you know, provided a fulsome answer to your question and explain the rationale to your question. So no. We would not view that level of non-renewals as a risk to the system.
561. And you know, to make sure I just emphasize some of the points, we have FT-R contracts right now in excess of FT-D contracts and as such, one would expect that over time, in the long-term, if you -- we design our system and our system is only capable of matching up delivery contracts with receipt contracts, so one would expect in the long-term, that your receipt contracts and your delivery contracts, which represent the market, would come in line.
562. And so, no. We would not view some of the non-renewals as a utilization risk on the system.
563. **MS. VAN IDERSTINE:** So you mentioned earlier that the Peace River is an area that's growing?
564. **MR. TROUT:** That's correct.
565. **MS. VAN IDERSTINE:** If we could back to that chart, Madam Clerk, that I had previously put up just prior to this, and that was -- not that one. The NGTL Receipt Contracts -- there we go.
566. So if you look in the middle of that one, you'll see -- really not middle, sorry. If you look along the top line of that one, it describes Mainline area, Northeast area, and Peace. And Peace, that's Peace River, I take it?
567. **MR. TROUT:** That's correct.
568. **MS. VAN IDERSTINE:** And I think you said that 90 percent or more of your contracts are in that area, or volume is in that area?
569. **MR. TROUT:** Sorry. If you're referencing my earlier discussion around shift in gas to the Peace River area, I was talking about flows on the system.



570. **MS. VAN IDERSTINE:** So let's just go through that a little bit.
571. If you look at the August, September columns that we were looking at again earlier, which is the bottom two, you will see under the Peace River section that there were -- sorry -- in those two months, 5.7 million cubic metres per day renewed on approximately 17.8 million cubic metres per day of contracts that were eligible to renew; is that true?
572. **MR. TROUT:** Yes, but I think it's important to recognize that this entire table is looking at a relatively short period and doesn't necessarily reflect how drilling and the supply shift is evolving on the system.
573. **MS. VAN IDERSTINE:** So can you explain then why there are so many non-renewals in that area of the system that's growing? Is it due to those shifts in, or transfers of the contracts from one area to another within that?
574. **MR. TROUT:** Well, I think this goes back to the graph that I pulled up from 4.7 a moment ago, which shows that there is actually greater FT-R contracts than there are delivery and we would expect that there would be some degree of rationalization over time. However, that doesn't change the fact that this is where drilling is occurring on the system.
575. An example of that, in 2018, only 13 wells for natural gas were drilled outside of the Peace River compared to a total of 552 wells. This is a pretty strong demonstration in my opinion that this is where producers will be flowing the gas to meet the system's market demand.
576. **MS. VAN IDERSTINE:** So can you tell me, in the renewals that are present, are those renewals that are in the primary or secondary term of the contract?
577. **MR. TROUT:** Contracts are only eligible for renewal at the end of the contract term or one year prior to that and that would typically be in the secondary term.
578. **MS. VAN IDERSTINE:** Do you know what percentage were extended beyond their secondary term?
579. **MR. TROUT:** I don't have that specific number. But again, the way



we look at the system is in the context of the aggregate FT-R and FT-R in certain areas. Whether a particular shipper chooses to renew or not is less relevant than whether FT-R continues to be utilized in a particular area on particular facilities.

580. **MS. VAN IDERSTINE:** Would NGTL agree that longer term contracts would increase long term cost accountability?
581. **MR. PRIOR:** So like, I think in general terms absent, you know, other pieces of information and factors you could certainly make a logical argument that longer term contracts, you know, support the longer term utilization of pipeline or longer term revenue commitments on pipeline. But I think you cannot look at that in absence of other factors. You know, if we were to insist on longer term contracts then you would have to look at, what would that actually do to contracting profiles?
582. One thing I want to make sure we kind of tie this back to as well is that the contracting profile terms were a part of the Settlement agreement. It was a -- it was a part of extensive negotiations with all of our customers, you know, over a two-year period. We had broad industry representation in those negotiations. There was gives and takes. And what we settled that was an eight-year contract term on the FT-R side.
583. **MS. VAN IDERSTINE:** Can you tell us what NGTL proposed as a contract length?
584. **MR. PRIOR:** I actually can't speak to the specifics that went on in the negotiations with the TTFP. They are under confidentiality and I would need to respect that.
585. **MS. VAN IDERSTINE:** Since you raised it, I want to ask you a few questions about some contracting practices where new facilities are required. And I understand that if new -- meaning facilities were required -- the default term is six years and where the facilities are required the default term is eight years; is that correct?
586. **MR. TROUT:** Yes, that's correct; those are the minimum contract terms.
587. **MS. VAN IDERSTINE:** If I use the term "default contract terms" would you agree that -- the "minimum contract terms", "default contract terms"; is



that synonymous?

588. **MR. TROUT:** Yes, I think we can probably use that assumption.

589. **MS. VAN IDERSTINE:** And so those proposed default contract terms were the result of a settlement negotiation, I take it, the ones that we just referenced?

590. **MR. TROUT:** That's correct. And they're also in line with how the system has evolved in terms of contracting over the last number of years.

591. **MS. VAN IDERSTINE:** And you'd agree that in the sum, NGTL retained the discretion to require longer contract terms today under the existing methodology in the Settlement; is that correct?

592. **MR. TROUT:** That's correct.

593. **MS. VAN IDERSTINE:** And even under the current you have discretion to seek longer contract lengths; is that correct?

594. **MR. TROUT:** Yes, it is.

595. **MS. VAN IDERSTINE:** So can you tell us why NGTL specifically retained that discretion into the Settlement?

596. **MR. PRIOR:** I don't know that I can give you a specific answer to why, but it was just part of the basket of gives and takes that made up the Settlement agreement that we retained the discretion to ask for longer contract terms if the situation should warrant.

597. **MS. VAN IDERSTINE:** Now, I understand that one of the criteria that NGTL uses in exercising its discretion is if there is cost subsidization. Is that ---

598. **MR. PRIOR:** I think there's a number of factors that we consider. We look at cost of service revenues, aggregate system needs, you know. So those help us inform what we would need to pursue for an FT-R contract.

599. **MS. VAN IDERSTINE:** And once you've determined that -- so it's cost subsidization or something else that caused you to exercise discretion, how



do you then determine the appropriate term length, contract term length?

600. **MR. PRIOR:** I can't give you a bright line specific answer that would cover every single scenario. It's a balance of quantitative and qualitative factors that we consider in looking at what an appropriate contract term would look like in a specific circumstance.

601. **MS. VAN IDERSTINE:** Sorry. I didn't mean to interrupt.

602. **MR. PRIOR:** Yeah.

603. **MS. VAN IDERSTINE:** Did individual shippers negotiate with NGTL over contract lengths in those circumstances?

604. **MR. PRIOR:** No, I wouldn't say it's negotiated. I think we -- as I say we -- it doesn't change what I had said before. We look at a basket of qualitative and quantitative reasons for the contract length that we require and determine what we would -- what we'd need to proceed.

605. **MS. VAN IDERSTINE:** Can I refer you to Exhibit C00032-6, Centra-NGTL-1.15(g) IR? That's at PDF page 38 of 121 and you'll see a table there. It's in the middle. There we go, got it, Table Centra-NGTL-1.15-1.

606. And so if you look at that table, you'll see that the project is identified on the left with the contractual underpinning in the middle and then the average term lengths. And if we look at first of all the first item which is the Saddle West Expansion that was an FT-R contract, I take it?

607. **MR. TROUT:** That's correct.

608. **MS. VAN IDERSTINE:** And the average contract term was eight years?

609. **MR. TROUT:** That's correct.

610. **MS. VAN IDERSTINE:** And the North Montney Mainline, that was 20 years?

611. **MR. TROUT:** Yes, it is.



612. **MS. VAN IDERSTINE:** And the -- I won't go through all of them but the West Path Delivery, which is an FT-D1 product, was 17.5 years; see that?
613. **MR. TROUT:** Yes, that one is the outcome of an open season.
614. **MS. VAN IDERSTINE:** And then the NGTL System Expansion has three separate contractual underpinnings. The first is the FT-D1 which is average contract lengths of 25.6 years; see that?
615. **MR. TROUT:** That's correct.
616. **MS. VAN IDERSTINE:** And then we have the FT-D2 and 3. They have the average contract terms of eight years.
617. **MR. TROUT:** Yes.
618. **MS. VAN IDERSTINE:** And then we have the FT-R with an average contract of eight years; see that?
619. **MR. TROUT:** I do.
620. **MS. VAN IDERSTINE:** And then we go down to the next two items, both of which are FT-D2 -- D3 -- contracts and those are both at eight years; see that?
621. **MR. TROUT:** Yes, I do.
622. **MS. VAN IDERSTINE:** So can you tell us what the default contract term was applicable to each of those projects?
623. **MR. TROUT:** Eight years.
624. **MS. VAN IDERSTINE:** and did NGTL have the discretion to require contracts of a longer duration to underpin those projects?
625. **MR. TROUT:** Yes, we did.
626. **MS. VAN IDERSTINE:** So you could have asked for longer than eight years in all of those, other than, I gather, the North Montney Mainline, which was a 20-year one?



627. **MR. TROUT:** Yes, as outlined in the settlement, NGTL shippers generally support the concept of applying default contract terms. NGTL reserves the right, and that's the intent of this whole discretion, to look at exceptional circumstances that may justify the need for longer contract terms. That was the case, for example, in the North Montney Mainline.
628. **MS. VAN IDERSTINE:** Okay. But looking at that table, you'd agree that none of the projects with contractual underpinnings related to FT-D1 shippers have -- default to the eight-year term?
629. **MR. TROUT:** Yes, we wouldn't consider those at the time to have been under exceptional circumstances.
630. I think one thing to consider, and certainly here what's shown is the underpinning contracts. But all of these facilities were required not just to meet the incremental either demand or supply contracts, but they were also required to meet incremental aggregate system requirements, so that includes beating existing contracts on the system.
631. So one needs to be very careful not to unreasonably disproportionately require a contract term just for a shipper who is potentially more directly benefiting from a certain set of facilities when it's all shippers on the NGTL system that indirectly benefit from the incremental facilities.
632. **MS. VAN IDERSTINE:** So we're looking though at the NGTL system expansion; that's the one that has the -- appears to have a discrepancy between FT-D1 shippers and the FT-D2 and 3, and the FT-R shippers. Do you see that?
633. **MR. TROUT:** I do. And that's a result of the open season process that the tariff requires for FT-D1 service.
634. **MS. VAN IDERSTINE:** So just before I ask you something about that, can you tell me, did NGTL forgo any FT-D1 export contracts in excess of eight years in favour of intra-basin contracts for eight years?
635. **MR. TROUT:** Not that I'm aware of.
636. **MS. VAN IDERSTINE:** So in talking -- giving my answers earlier,



- is it fair -- did I understand that to be, the reason you're not asking for longer than eight years is because you don't think that the intra-basin shippers will sign contracts for greater than eight years?
637. **MR. TROUT:** No, that's not what I said. I said it's a result of the NGTL open season process, which is outlined in the tariff, which requires NGTL to offer the service through an open season process.
638. **MS. VAN IDERSTINE:** And so since the FT-D1 shippers are receiving it through an open season, would you agree that they compete to get access to a limited amount of export capacity?
639. **MR. TROUT:** Yes, that's correct.
640. **MS. VAN IDERSTINE:** So if a shipper bid only the minimum contract term, that shipper would be at risk of not being awarded capacity?
641. **MR. TROUT:** Yes, the bid process allows shippers to determine what the bid is based on what the value they see the transport to be to their very individual business.
642. **MS. VAN IDERSTINE:** Yeah, but what I was asking was that if the shipper bid only the minimum contract term, which I think you said is eight years, then the shipper would risk not being awarded that capacity?
643. **MR. TROUT:** Yeah, that obviously depends on the circumstances in the particular open season, but that is the outcome of 2021, as an example.
644. **MS. VAN IDERSTINE:** And so would you agree that there's a reasonable likelihood that the shipper would get no capacity if it just bid for the minimum contract term?
645. **MR. TROUT:** Contract terms at FT-D1 delivery points, such as Empress or the East Gate, change very much over time.
646. It's only in the very recent years that system has become fully contracted at this point. So there was a substantial period of time where shippers at the East Gate were benefiting from much lower contract terms than what's illustrated here.



647. **MS. VAN IDERSTINE:** But the fact is that if a shipper in these circumstances bid eight years, they would likely not have got a contract? Is that fair?
648. **MR. TROUT:** Although I don't have the specific numbers in front of me, that's possible.
649. **MS. VAN IDERSTINE:** And so the open season process incents shippers to bid longer term contracts to increase their likelihood of being awarded capacity?
650. **MR. TROUT:** That's correct.
651. **MS. VAN IDERSTINE:** While I think you'd agree that there's no similar incentive to bid longer term contracts within the queue system?
652. **MR. TROUT:** Intra-basin contracts for delivery and receipt are managed through a queue process. The reason, in part, for that is it's much more difficult to allocate capacity across thousands of meter stations, receiving delivery points, than it is at both, really, the five FT-D1 delivery points.
653. So I think that's why today the process for intra is different than FT-D1.
654. **MS. VAN IDERSTINE:** Fair enough. But if you -- you would agree with me that as a result of that, there's no similar incentive for the intra-basin shippers to bid longer term contracts?
655. **MR. TROUT:** Well as I mentioned, it's a queue process, so there are no bids. But that doesn't prevent a shipper who sees value in holding a longer-term contract in intra-basin or FT-R from doing so.
656. **MS. VAN IDERSTINE:** But no incentive to do so, given it's a queue process?
657. **MR. TROUT:** Not an incentive as it relates to getting access to capacity.
658. **MS. VAN IDERSTINE:** And you understand that that's what Centra is saying is a discriminatory process?



659. **MR. PRIOR:** Yeah, so I don't think we agree with the assertion that this is a discriminatory process. We have two different kinds of methods for assigning contract capacity for delivery contracts.
660. We have the export contracts. West Gate and East Gate are -- there's a fixed amount of capacity they can get to those gates because it's a single point in the pipeline. And so the most efficient way to allocate that capacity is through an open season, such as the person who values -- the company that values that capacity the most, receives that capacity.
661. More importantly, that is in our tariff. And so we follow the tariff.
662. On the intra-basin delivery points, that is a queue process. And there isn't -- you know, because there are all kinds of receipt and delivery points in an intra -- Alberta, it wouldn't be efficient, you know, possibly not plausible to manage that as an open season process, because you wouldn't have multiple parties bidding for the same capacity.
663. And so these are not discriminatory because we don't feel that they are -- they're not similar circumstances and situations.
664. **MS. VAN IDERSTINE:** And to your knowledge, do you know, has anybody in the queue process taken a contract greater than eight years?
665. **MR. PRIOR:** Yes, people have in the past.
666. **MS. VAN IDERSTINE:** Mr. Chair, Commissioners, if I might just have a couple minutes just to check and see? I think I'm done, but I just want to make sure that I had no further questions.
667. **THE PRESIDING COMMISSIONER:** Certainly.
668. **MS. VAN IDERSTINE:** I'll just be a minute.
- (A short pause/Courte pause)
669. **MS. VAN IDERSTINE:** So I -- just going back, I'm not sure I got your answer to the question that I'd asked earlier, and that was, can you tell me whether when we're looking at that table of Centra, NGTL 1.15, from Centra



NGTL 1. -- I think 15(g), at PDF page 38 of 121, I think I'd asked you whether or not Centra -- oh, excuse me, Centra -- NGTL had foregone entering into any FT-D1 export contracts with terms in excess of eight years in favour of intra-basin contracts of eight years.

670. And I'm sorry, I'm not sure what your answer was.

--- (A short pause/Courte pause)

671. **MR. TROUT:** I believe my answer was, "Not that I'm aware of," and that's still my answer.

672. **MS. VAN IDERSTINE:** But when you say that you're not aware of, is it possible that there were some, and if there was, can you take that and check that and let us know?

673. **MR. DUNCANSON:** Mr. Chairman, I think we are starting to stray into details of an application that's currently an active application before the Board. Perhaps before we go any farther on this, my friend could help me understand the relevance to this application of understanding the specific details of the 2021 open season?

674. **MS. VAN IDERSTINE:** Mr. Commissioner, Mr. Chair, Commissioners, so if -- the fact is that the NGTL is foregoing contracts to export shippers in favour of the intra-basin ones that would suggest that there's a discriminatory process going on.

675. Alternatively, it also raises the concerns about the fairness of this system in terms of the utilization of the system and as we've discussed in Centra's evidence pack as submitted.

676. **THE PRESIDING COMMISSIONER:** Mr. Duncanson?

677. **MR. DUNCANSON:** Well, it sounds a little bit to me, Mr. Chairman, like a bit of a fishing expedition. So I'll leave it to the Commission to see whether this is something you find useful.

678. **THE PRESIDING COMMISSIONER:** Excuse us a moment.

--- (A short pause/Courte pause)



679. **THE PRESIDING COMMISSIONER:** Mr. Duncanson, Ms. Van Iderstine, I think we'll allow this on a limited basis to see where it goes. There's definitely an argument of discrimination that's being advanced and we'd like to see what factual foundations are under that.
680. **MS. VAN IDERSTINE:** So that was my -- I had asked for that undertaking if you could provide it if you're not -- note the answer.
681. **MR. TROUT:** I guess what I'm struggling with in answering the question any differently is that facilities that are the optimal facilities to be able to be able to provide service to the intra-basin or the FT-R referenced in that table are not necessarily the exact same optimal facilities.
682. So as part of an open season process, NGTL makes a certain capacity available. That was the case for FT-D1 service, and then shippers had the opportunity to bid.
683. So as we have talked about through this dialogue, there's two different processes for very good reason as to how capacity is allocated to either intra-basin service or export service. So I'm struggling to suggest whether we forewent contracts on one or the other when the set of circumstances is just different.
684. **MS. VAN IDERSTINE:** But I'd make that a little clearer. Was there an FT-D1 shipper who did not get capacity in favour of an intra-basin shipper? That's simply what I was asking.
685. **MR. SANDERSON:** Yes. I think part of the concern that we're having here, Mr. Chairman, is the details of the open season process in terms of specifically what was bid, those details are confidential. I think that might be part of the reason why the witnesses are struggling a little bit to provide more detail that what has already been provided.
686. **THE PRESIDING COMMISSIONER:** Ms. Van Iderstine?
687. **MS. VAN IDERSTINE:** I wasn't asking for who the contractors were or who was the one who got the contracts or receipts on either side. So why you did or you didn't, seems to me.
688. **THE PRESIDING COMMISSIONER:** Can you be more specific as



to what particular timeline you're dealing with and put some parameters around this so that we have some more specificity as to where this is going?

689. **MS. VAN IDERSTINE:** It would be for the 2021 NGTL System Expansion open season.

690. **MR. TROUT:** Again, the part I'm struggling here is that this is a different service we're talking about. We're talking FT-D2 or FT-D3. We're talking FT-R as compared to FT-D1. Those are different services to different delivery points on the NGTL System. They follow a different process. As I described, one follows a queue, one follows an open-season process for the reason that it's very difficult to allocate capacity in the same way for thousands of meter stations on the NGTL System compared to D1 delivery points.

691. And then the last thing is that the specific facilities that are optimal to provide service to different facilities are different. So when you suggest whether we forewent contracts at D1 for D2, I just am having a difficult time answering that question.

692. **MS. VAN IDERSTINE:** I guess the reason I'm persisting on this is because when I look at this, it's the NGTL System Expansion, and the contractual underpinning for that are those three different services, but it's all the same facilities and we've heard you talk about it being an integrated system.

693. So in that integrated system, are there shippers who did not get capacity because intra-basin shippers had contracts which were essentially preferred?

694. **MR. DUNCANSON:** Mr. Chairman, I think the questions and the answers may be speaking past each other. And if it helps, I think what Mr. Trout was saying is with the open season process for FT-D1 capacity, of the capacity that was made available to that process, all of that capacity was allocated through the open season.

695. NGTL can't provide the details of exactly what bids went into that open season process. It provides the outcome of that open season process, and that's what's reflected in the evidence.

696. And so perhaps my friend can be a little more specific about exactly what it is that she's asking for.



697. **MS. VAN IDERSTINE:** That's not the answer I was looking for, but I think we've dealt with this long enough, and I see that it's noon. So I will say that we have concluded our questions and we'll sit down.

698. Thank you very much for your attention and time.

699. **THE PRESIDING COMMISSIONER:** I look forward to this point being addressed in argument. I think there's a fair bit that's been said and I look forward to seeing it clarified in argument.

700. Thank you.

701. We'll adjourn til one o'clock and at that point, we'll reconvene with cross-examination by Westcoast.

702. I'm not sure, Mr. Davies, who will be conducting it, yourself or Mr. Bourne, but we'll look for one or both of you at counsel table after lunch.

--- Upon recessing at 12:00 p.m./L'audience est suspendue à 12h00

--- Upon resuming at 1:08 p.m./L'audience est reprise à 13h08

RICHARD PRIOR: Resumed

MICHAEL RITSCH: Resumed

BLAINE TROUT: Resumed

PENELOPE ECHENAGUSIA: Resumed

COLIN COOPER: Resumed

JOHN J. REED: Resumed

TOBY BISHOP: Resumed

703. **THE PRESIDING COMMISSIONER:** Mr. Davies?

--- EXAMINATION BY/INTERROGATOIRE PAR MR. DAVIES:

704. **MR. DAVIES:** Thank you, Mr. Chairman.

705. Good afternoon, Panel.

706. In your application filed back in March, the estimated capital costs for



- the North Montney Mainline was stated to be \$1.62 billion. Do you have an updated capital cost estimate?
707. **MR. TROUT:** The cost estimate remains the same. With some components of the project not complete, our expected outcome was within plus or minus five percent of that estimate.
708. **MR. DAVIES:** And what was the projected in-service date of the North Montney Mainline?
709. **MR. TROUT:** There are a few components of the North Montney Mainline project. The Aitken Creek section is now expected to be in service of January 2020. The Kahta section is expected to go into service in April of 2020. And the Saturn Compressor Station will align with that Kahta in-service of April 2020.
710. **MR. DAVIES:** Thank you. If we could turn up please, it's attachment NEB 1.3-1? And that is Exhibit C00032-2, which is NGTL's response to NEB IR-1 at PDF page 16. Thank you.
711. Now I'd like to just walk through this. Who would be the best person for me to do that with?
712. **MR. BISHOP:** Probably me or Ms. Echenagusia.
713. **MR. DAVIES:** Would it be okay if I just called you Ms. E?
714. **MS. ECHENAGUSIA:** Sure.
715. **MR. DAVIES:** All right. So I'm looking at Column S3, which is "Proposed Tolling Methodology with NMML Surcharge."
716. And Line B shows the NMML total shipper revenue over the contract term to be \$4.778 billion; right?
717. **MR. BISHOP:** That's correct.
718. **MR. DAVIES:** And that works out to an annual average, which is shown in line C, of \$189 million?



719. **MR. BISHOP:** That is correct.
720. **MR. DAVIES:** And line D then shows the NMML cost service to be \$3.651 billion, which is shown in line E to be an annual average of 144 million; right?
721. **MR. BISHOP:** Yes, that's the cost of service over the contract term.
722. **MR. DAVIES:** Yes.
723. **MR. BISHOP:** And the annual average over the contract term.
724. **MR. DAVIES:** Yes, thank you.
725. And then line F shows the NMML shipper share of existing system costs to be \$3.184 billion; right?
726. **MR. BISHOP:** That's correct. On line F there, that represents the total FT-R toll at Saturn.
727. **MR. DAVIES:** Right. And the Footnote 3 indicates that that amount was determined by multiplying the estimated FT-R toll at Saturn by the NMML shipper contract demand over the contract term; right?
728. **MR. BISHOP:** That is what Footnote 3 says; yes.
729. **MR. DAVIES:** And the Saturn receipt toll reflects the cost of shipping gas on the existing NGTL System from Saturn?
730. **MR. BISHOP:** Yes, it reflects the allocated embedded cost of shipping from Saturn on the existing system.
731. **MR. DAVIES:** Now in the footnote, you see that there is a bracket before the word "assumed"?
732. **MR. BISHOP:** I do.
733. **MR. DAVIES:** And there's no end bracket. Do I assume that the end bracket should be after the year -- or after the word, "years"?



734. **MR. BISHOP:** Yes, I think there should be a bracket after “years”.
735. **MR. DAVIES:** Now, line G then shows the average annual NMML shipper share of existing costs to be \$126 million; right?
736. **MR. BISHOP:** That’s the annual average of the number right above it, which we were just talking about, yeah.
737. **MR. DAVIES:** And then if we drop down, Mr. Bishop, to line P, that shows that if you deduct the NMML cost of service over the contract term from the NMML shipper revenue over the contract term, the residual revenue is \$1.127 billion? Is that right?
738. **MR. BISHOP:** Yes, if one first assumes that you apply those revenues from the North Montney Mainline shippers 100 percent to the cost of service to the North Montney Mainline, that is the residual revenue.
739. **MR. DAVIES:** And line Q shows that the residual revenue of \$1.127 billion would cover 35.4 percent of the NMML shipper share of existing system costs over the contract term; right?
740. **MR. BISHOP:** Mathematically, yes, I agree that’s what it shows.
741. **MR. DAVIES:** And the wording in line Q over on the left is, “Portion of existing system costs covered by residual revenue” ; but just to be clear, what line Q shows is the portion of the NMML shipper share of existing system cost that is covered by the residual revenue, right?
742. **MR. BISHOP:** Can you say that again, Mr. Davies?
743. **MR. DAVIES:** Yes. What line Q shows is the portion of the NMML shipper share of existing system costs that is covered by the residual revenue?
744. **MR. BISHOP:** Only if one assumes that 100 percent of the North Montney Mainline cost of service is fully covered by the revenues from the NMML shippers.
745. **MR. DAVIES:** Okay. The differentiation that I’m trying to make, Mr. Bishop, is between total existing system costs -- the differentiation I’m trying



746. **MR. REED:** If I could just jump in, we agree, it is the portion of their allocated share of the embedded cost that's covered under the revenue attribution sequence that Mr. Bishop just laid out.
747. **MR. DAVIES:** Okay. Thanks.
748. And obviously the total existing system costs are much greater than the NMML shipper share of the existing system costs, right?
749. **MR. BISHOP:** Yes.
750. **MR. DAVIES:** The NGTL 2019 revenue requirement is over \$2.2 billion, 2.258 billion, to be exact?
751. I took that from your final 2019 rates application.
752. **MS. ECHENAGUSIA:** I will take that, subject to check.
753. **MR. DAVIES:** So the NMML shipper share of existing system costs is shown in line G to be \$126 million, and that would be about 5 percent of the total 2019 existing costs. Can you take that from me? I used my calculator.
754. **MS. ECHENAGUSIA:** Can you repeat the question, please?
755. **MR. DAVIES:** Sure. I was just getting you to confirm that the \$126 million, which is the NMML shipper share of the existing system costs, constitutes about 5 percent of the total 2019 existing costs.
756. **MR. REED:** That's correct, with the note that's there. Which is, that's assuming, again revenue sequencing equivalent to stacked toll. And so if you believe that the North Montney shippers' revenue has to be fully attributed first to full coverage of the North Montney new facilities cost of service, and then and only then applied in a stacked fashion to the existing system, then that calculation is correct.
757. **MR. DAVIES:** Now, line R shows the annual average residual revenue to be \$44 million. Right?
758. **MR. BISHOP:** Correct.



759. **MR. DAVIES:** And line T shows the annual average residual revenue of \$44 million to be 35 percent of the annual average of the NMML shippers' share of existing system costs, which is shown in line G to be 126 million, right?

760. **MR. BISHOP:** Yes. R divided by G gets you line T there, at 35 percent under this framework.

761. **MR. DAVIES:** Thank you. Did NGTL review the evidence of London Economics International when it was filed by Black Swan?

762. **MR. TROUT:** Yes. We did.

763. **MR. DAVIES:** And are you aware that in its evidence, LEI construes the 35 percent in line T as being the contribution of the residual revenue to total existing system costs, as opposed to the NMML shippers' share of existing system costs?

764. **MR. TROUT:** Although I did review it, I don't personally know that to be a fact, but that's what it says in their evidence.

765. **MR. DAVIES:** Well, what I'm going to suggest to you is that LEI in fact misconstrued what NGTL has set out in line T. And first of all, is that news to you -- this is the first time you've heard of that? Anybody on the panel?

766. **MR. DUNCANSON:** Mr. Chairman, I'm a little concerned that witnesses are being cross-examined on the report of another party in this proceeding, who will be cross-examined later this week. I don't think it's appropriate for these witnesses to be speaking to the content of the LEI report and what it says.

767. **MR. DAVIES:** Well, my question, Mr. Chairman, was whether anybody was aware, having read the LEI report, that LEI had misconstrued what appears in line T of attachment 1.3-1.

768. **THE PRESIDING COMMISSIONER:** Excuse us, just a moment.

---(A short pause/Courte pause)

769. **THE PRESIDING COMMISSIONER:** I ought to have asked you,



Mr. Duncanson, if you had anything in response to what Mr. Davies said?

770. **MR. DUNCANSON:** Mr. Chairman, the premise of Mr. Davies' question is around whether LEI misconstrued NGTL's evidence. And the way that that question was asked, I don't think it's a fair question to put to these witnesses, because they can't speak to the LEI evidence and what it intended to present.
771. **THE PRESIDING COMMISSIONER:** Well, I think it's up to the panel to decide whether they want to answer the question, as posed, or whether they want to do as you just suggested and follow your lead.
772. Mr. Davies, we're not inclined to curtail this line of questioning, if you want to go ahead.
773. **MR. DAVIES:** My simple question was, was NGTL aware of the misconstrual or not?
774. **MR. TROUT:** I suppose we weren't aware that it's misconstrued, if that's your view. What I can say is that we don't know this to be a fact, and NGTL did not rely on this evidence for any of the evidence we have submitted in this proceeding.
775. **MR. DAVIES:** Did NGTL have any discussions with Black Swan or LEI about its evidence after reviewing it?
776. **MR. TROUT:** No. We did not.
777. **MR. DAVIES:** Thank you.
778. If we could turn up, please -- do you have the MH-031-2017 decision?
779. **MR. BISHOP:** We do, Mr. Davies.
780. **MR. DAVIES:** And are your pages as dog-eared as mine?
781. **MR. BISHOP:** They may be -- digitally.
782. **MR. DAVIES:** So I'm looking at page 36 of the decision and that's at PDF page 54, under the heading "Cross-subsidization" and in particular, the third



paragraph under that heading.

783. Now, at that time, the FT-R revenue from the NMML shippers would have covered the NMML cost of service, and would have made a contribution of \$317 million towards the existing system costs over the term of the contracts, right?

784. **MR. BISHOP:** That's correct. I see that.

785. **MR. DAVIES:** And in the fourth paragraph, the Board concluded that the \$317 million would not be an adequate contribution towards the costs on the existing NGTL system caused by the NMML shippers, right?

786. **MR. BISHOP:** Yes. That's what it says.

787. **MR. DAVIES:** And based on the Saturn toll multiplied by the contract demand of the NMML shippers, the costs caused by the NMML shippers on the existing system were at that time estimated to be \$3.194 billion. Can you accept that from me?

788. **MR. REED:** Mr. Davies, I think the foundation of your question was -- began with, accepting the Saturn toll ---

789. **MR. DAVIES:** No. I didn't ask that, Mr. Reed.

790. **MR. REED:** I think you did, actually.

791. **MR. DAVIES:** My question was, based on the Saturn toll, and based on the contract demand of the NMML shippers, the costs caused by the NMML shippers on the existing system was at that time estimated to be \$3.194 billion.

792. **MR. REED:** I just want to make sure I understand your question. Are you asking us to accept that the Saturn toll is a measure of the cost imposed by the North Montney shippers?

793. **MR. DAVIES:** No, what I'm asking you, Mr. Reed, is if you accept -- and I'm not asking you to accept this as a premise -- but based on the Saturn toll, multiplied by the contract demand, the evidence in this proceeding, at that time, indicated that the cost caused on the existing NGTL System was \$3.194 billion.



794. **MR. BISHOP:** Is that number in here, Mr. Davies? I don't see that.
795. **MR. DAVIES:** Well, if you go back to page 27, PDF 45, the Board refers to calculations provided by Mr. Engbloom, and you'll see that Mr. Engbloom determined the cost of service for the existing NGTL System at Saturn to be \$3.194 billion. And that's in paragraph 3. Do you see that?
796. **MR. REED:** And that makes the point I was trying to make earlier. He describes that figure as the cumulative FT-R revenue, not costs imposed, which is your term.
797. **MR. DAVIES:** Okay.
798. **MR. REED:** And there isn't a meaningful difference. So assuming Mr. Engbloom's calculation was correct before, that may be a measure of the cumulative FT-R revenue.
799. **MR. DAVIES:** Well, it says, Mr. Reed, that the COS for the existing NGTL System at Saturn would be \$3.194 billion. And I'm sure you recall that Mr. Engbloom made that calculation by multiplying the Saturn toll by the NMML shippers' contract demand, right?
800. **MR. REED:** I believe that that's consistent with my memory as to how he did the calculation, yes.
801. **MR. DAVIES:** Now, Mr. Reed and Mr. Bishop, the opinion that you expressed to the Board in MH-031-2017 was that the tolling methodology being proposed by NGTL would not result in excessive cross-subsidization, right?
802. **MR. BISHOP:** That is correct, applying the toll design that was applicable at that time.
803. **MR. DAVIES:** Now, in your reply evidence filed in this case, you say that it is the aggregate demand of all shippers on the NGTL System that is causing the need for the NMML facilities, right?
804. **MR. BISHOP:** We're saying we're recognizing that the Board had found in MH-031-2017 that the North Montney facilities were primarily caused by the North Montney shippers, but that the aggregate demand of the System also is causing a need for the facilities.



805. **MR. DAVIES:** Well, let's turn up your reply evidence. It's Exhibit C02725-3 and I'm looking at -- well, there's a number of references, but let's start at PDF page 7, which is hard copy page 6. And I'm looking at line 11 where you say,

"The Stout Evidence disregards that it is the aggregate demand of all shippers on the NGTL System causing the need for the proposed facilities."

806. See that?

807. **MR. BISHOP:** I do see that.

808. **MR. DAVIES:** And I took from that that your position is that it is the aggregate demand of all shippers on the NGTL System that is causing the need for the proposed facilities.

809. **MR. BISHOP:** And I think your characterization or your assumption would be incorrect. The way I think that's intended is that is to refer to the fact that the Stout Evidence effectively finds that there are no -- there's no need being caused for the North Montney facilities at all by any of the existing shippers. And we obviously disagree with that.

810. **MR. DAVIES:** Well, let's turn over to page 14 of your reply evidence, PDF page 15. And you refer -- are you with me?

811. **MR. BISHOP:** Yes.

812. **MR. DAVIES:** And you refer to the -- now starting at line 22,

"... the NEB's long-standing view of the aggregate demand driving the need for new facilities."

813. And you say,

"When new facilities are found to be integrated with the existing system and provide a standard [of] service, the NEB's long-standing policy has been that it is the aggregate demand of the system that causes the need for additional supplies."



814. See that?
815. **MR. BISHOP:** I do see that.
816. **MR. DAVIES:** Is that your position in this proceeding?
817. **MR. BISHOP:** Yes. We ---
818. **MR. DAVIES:** So your position is that it is the aggregate demand of all shippers on the NGTL System that is causing the need for the North Montney Mainline?
819. **MR. BISHOP:** In part. And as we said in our reply evidence as well ---
820. **MR. DAVIES:** Well, what do you mean, "in part", Mr. Bishop? The aggregate demand is either causing the need or it's not. Which is it?
821. **MR. BISHOP:** Mr. Davies, the Board clearly found in MH-031-2017 that the need for the North Montney facilities is largely driven by the North Montney shippers. We fully recognize that. But the aggregate demand of the System is also, in part, driving the need. So ---
822. **MR. DAVIES:** Where in the MH-031-2017 decision does the Board say that it is the aggregate demand of all shippers that caused the need for the North Montney Mainline facilities? Can you take me there, please?
823. **MR. BISHOP:** In the decision on the bottom of page 36, the top of page 37 where the Board talks about the primary drivers of the need for the North Montney facilities are the FT-R shippers, and therefore, primarily cause the cost of the North Montney facilities existing System shippers without contracts only indirectly contribute to the need for and use of the facilities by generating demand for maintaining declining system supply.
824. Therefore, it's the combination of both the new shippers and the existing shippers with the distinction between primary and indirect or primary and secondary.
825. **MR. REED:** And that view is echoed on page 42 where the Board, in



the paragraph beginning, "The long-term financial and operational risks," speaks to the benefits, which are -- is attributable or basically linked to causation; the benefits are reaped by the North Montney shippers and the existing shippers.

826. **MR. DAVIES:** We're coming there, Mr. Reed. Just be patient.

827. **MR. REED:** I'm just trying to answer the question.

828. **MR. DAVIES:** So you point to those two sentences, the one at the bottom of 36 and the one at the top of 37, as support for your view that it is the aggregate demand of all shippers cause the need for the North Montney Mainline; is that what you're telling me, Mr. Bishop?

829. **MR. BISHOP:** Yes. And -- yes.

830. **MR. DAVIES:** Now, if we come back to the statement that you made at the bottom of page 14 of your reply evidence ---

831. **MR. BISHOP:** Did you say hard copy page 14?

832. **MR. DAVIES:** Yeah, it's hard copy page 14. It's PDF page 15.

833. Okay. Well let me ask you this; you're aware, of course, of the decisions like GH-287 and GH-589, where the Board found that in the case of an expansion, it was the aggregate demand of all shippers causing that expansion?

834. **MR. REED:** Yes.

835. **MR. DAVIES:** And I take it that you would use the term aggregate demand in this case different than the term aggregate demand in those cases? Is that right?

836. **MR. REED:** I think the term is the same. The Board interpreted the causation elements of aggregate demand in the MH-031 case differently than it did in GH-287 and GH-589. The term is the same. It has the same meaning.

837. **MR. DAVIES:** In the expansion cases, Mr. Reed, the Board had determined that it was the combined volume of the new and existing shippers that caused the need for the expansion facilities and they therefore determined that all of the shippers should bear equal responsibility for the costs of the expansion



facilities, right?

838. **MR. REED:** Right. And that's the distinction I was just making. It is not equal, in the Board's view, in the MH-031 decision.

839. **MR. DAVIES:** So we can agree that in that regard, there's a difference between an expansion and an extension?

840. **MR. REED:** I wouldn't make that generic. There was a difference with regard to the Board's views with regard to the North Montney Mainline facilities. But I certainly wouldn't want to make that view generic to all extensions.

841. **MR. DAVIES:** We can agree that in the MH-031 2017 decision, the Board concluded that the North Montney Mainline is not a joint use facility and it would not be integrated with the existing system to the same degree as would an expansion facility, right?

842. **MR. BISHOP:** Mr. Davies, do you want to point us to where that's located in the decision?

843. **MR. DAVIES:** Sure. Hardcopy page 35, PDF page 53. The second paragraph, under the heading, "Integration and Services Provided by NGTL," where the Board finds in the last sentence that:

"...the degree of integration for the North Montney Mainline is less than it would be for joint-use type facilities within a system's existing footprint -- facilities physically used by both new and existing system shippers."

844. That's what I was referring to, Mr. Bishop.

845. **MR. BISHOP:** Yes, I see that. And in conjunction with that first paragraph, where the Board finds the: "...Facilities will be integrated..." and then to a lesser degree, as it finds in the second paragraph, as lesser degree as to an expansion.

846. **MR. DAVIES:** And as you point out, in that first paragraph under that heading:



“The Board finds that the NMML Facilities will be integrated with the existing NGTL System and will offer similar services as those offered on the existing NGTL System.”

847. Right?

848. **MR. BISHOP:** That is what it says; yes.

849. **MR. DAVIES:** And then the last two sentences of that paragraph say:

“However, integration and similarity of services are not sufficient alone to support the use of rolled-in tolling, as applied for by NGTL, over the long-term. The Board must also consider whether the tolling methodology adequately addresses cost causation.”

850. Now, can you tell me, are you seeking to relitigate that conclusion in this case?

851. **MR. BISHOP:** No.

852. **MR. DAVIES:** Now, if we can turn up your original evidence in this proceeding, which is Exhibit A98318-4. And I’m looking at hard copy page 6, PDF page 8. You’re with me?

853. **MR. BISHOP:** Yes, we are.

854. **MR. DAVIES:** And I’m looking at your response to A-13, and you are here discussing the guidance that the Board provided in MH-031-2017 regarding the tolling for the NMML facilities and/or the NGTL system, right?

855. **MR. BISHOP:** Yes, we are.

856. **MR. DAVIES:** And you quote from pages 41 and 42 of the Board decision?

857. **MR. BISHOP:** Yes.

858. **MR. DAVIES:** And what you omit from the quote, Mr. Bishop, is the last paragraph on page 41 of the decision.



859. Actually, let's pull that up. So it's the MH-031-2017 decision at page 41, which is PDF page 59.
860. With me?
861. **MR. BISHOP:** Yeah, we're there.
862. **MR. DAVIES:** Why did you leave out the last paragraph on page 41?
863. **MR. BISHOP:** No reason. I don't think it was -- it's clearly not intentional as to leave that out. I think we view what the Board says there is consistent with what the Board has said elsewhere.
864. **MR. DAVIES:** Well it must have been intentional, Mr. Bishop, because you quoted from the paragraph before it, and then you put dot dot dot, and then you quoted from another paragraph on the next page.
865. So why did you purposefully leave out that paragraph at the bottom of page 41?
866. **MR. BISHOP:** Again, Mr. Davies, this wasn't intended to summarize the entire Board's decision here, but to provide certain extracts or excerpts that are relevant.
867. **MR. DAVIES:** You weren't summarizing here, Mr. Bishop. You were quoting.
868. **MR. BISHOP:** Yeah.
869. **MR. DAVIES:** Selectively quoting. Why did you leave that paragraph out?
870. **MR. BISHOP:** Again, Mr. Davies, there is no intentional reason of leaving this out. You know, we consider what is said there, as well as said here and other places within here that weren't quoted, to be consistent with what is reflected here.
871. **MR. DAVIES:** If we can go back to your reply evidence, which is Exhibit C02725-3? And I'm on hard copy page 8, which is PDF page 9. And I'm



looking at your response to A-12.

872. Are you with me, Mr. Bishop?

873. **MR. BISHOP:** Yes, we're there.

874. **MR. DAVIES:** And what you do refer to in this response is one of the sentences from the bottom of page 41 of the decision, starting at line 8, which says:

"To send proper price signals and adhere to the principle of cost causation, [the] tolls [applicable to] the NMML [shippers] should account for:

1) the costs to use the existing NGTL System; and

2) the incremental costs caused by the construction and operation of the NMML Facilities, less the portion of the costs attributable to the existing System users' indirect use of, and need for, the NMML Facilities."

875. And you then go on in the last sentence of the response to reference the words "should account for". Do you see that?

876. **MR. BISHOP:** Yes, I see that.

877. **MR. DAVIES:** Is the point you're making here that accounting for the cost is not the same as covering the cost?

878. **MR. BISHOP:** What our view of what was said here was that the Board was not requiring standalone tolling. It was not that the tolls for the North Montney facilities had to be 100 percent of the North Montney cost plus the FT-R toll at Saturn.

879. **MR. DAVIES:** So you're making a distinction between should account for costs and covering costs or paying costs; is that right?

880. **MR. BISHOP:** I guess I would make the distinction between account for and cover, versus 100 percent pay for, or 100 percent cover, I guess.



881. **MR. DAVIES:** Okay. If we turn back or go back to the MH-031-2017 decision, please? And I'm looking at page 37, which is PDF page 5, or it's PDF 55, hard copy page 37. And if you can scroll to the top, please?
882. You see the paragraph -- well, it actually starts at the bottom of page 36 but carries over to page 37 -- where the Board says -- and I'll read the last sentence into the record. It says:
- “The Board finds that in these circumstances the tolls charged to shippers on the NMML Facilities must be sufficient to cover the costs NMML Facilities shippers cause on the existing [...] system, as well as costs they cause on the NMML Facilities, less any portion of the NMML Facilities costs that are caused by, and rightfully attributable to, existing system shippers.”*
883. Now, Mr. Bishop, what do you think is meant by "must be sufficient to cover"? What does that mean to you?
884. **MR. BISHOP:** I read this passage along with the other ones that we cited and the other guidance that was provided by the Board here to be that the tolls need to consider the costs of the NMML facilities -- I now see why you say that slowly -- the cost of the existing system as well as recognize that the North Montney shippers are not the sole driver of the facilities -- of the North Montney facilities.
885. **MR. DAVIES:** Well, you said "consider the cost" but this sentence says "must be sufficient to cover the costs", right? Doesn't that mean pay all of the costs, as subsequently identified by the Board in that sentence?
886. **MR. BISHOP:** No, I disagree that's what that says. It does not say ---
887. **MR. DAVIES:** Okay. So what ---
888. **MR. BISHOP:** --- it does not say must pay 100 percent of those costs.
889. **MR. DAVIES:** So tell me what “sufficient to cover” means to you.
890. **MR. BISHOP:** I would say that, as noted elsewhere here that it reflects a meaningful contribution, as the Board had used that term multiple times



in this decision as well as in the prior decision, North Montney decision.

891. **MR. DAVIES:** So "sufficient to cover the costs" means to you sufficient to cover some of the costs; that's what you're telling me?

892. **MR. BISHOP:** No, that's not what I said. I said it was sufficient to provide a meaningful contribution to the costs of the North Montney facilities as well as the costs of the existing system.

893. **MR. DAVIES:** If we go back to your original evidence, please, Exhibit A98318-4, and I'm looking at page 31. And it's in answer 40 -- thank you -- and the second sentence says:

"As the Board has previously found, just and reasonable tolls lay the foundation for fair competition."

894. See that?

895. **MR. BISHOP:** We do.

896. **MR. DAVIES:** And what the Board actually says if you look at the 2014 and 2017 decisions is that:

"...adherence to the principle of cost causation lays the foundation for fair competition."

897. Do you agree? And let me help you, Mr. Bishop, so that you're not put at a disadvantage here, although there's nothing wrong with you being at a disadvantage.

898. If you look at hard copy page 40 of the MH-031-2017 decision, the first sentence under the heading "Competition and Commercial Impacts" and this is at PDF page 58.

899. **MR. BISHOP:** Yes, I see that in the first sentence there.

900. **MR. DAVIES:** And why did you use the term "just and reasonable tolls" as opposed to the term "adherence to the principle of cost causation", or do you use the two terms synonymously?



901. **MR. BISHOP:** Mr. Davies, there's no intention here to not use the wording specifically as stated there on page 40. I think the sentences are consistent.
902. **MR. DAVIES:** So you would say that just and reasonable tolls are ones that adhere to the principle of cost causation?
903. **MR. BISHOP:** Yes. I mean cost causation is a primary tolling principle of the Board in finding just and reasonable tolls.
904. **MR. DAVIES:** Now if we go back to your reply evidence, Exhibit C02725-3, and I'm on page 15 hard copy, page 17 PDF, and if we could go to the -- could you scroll up, please? Thank you. Scroll down, perfect.
905. You made the statement there starting at line 18 that:
- "The NEB's decision in MH-031-2017 references shipper benefits numerous times in its evaluation of cost causation, and thus is a relevant consideration in establishing just and reasonable tolls."*
906. Right?
907. **MR. BISHOP:** Yes, that's what we said.
908. **MR. DAVIES:** And you don't hear, "Mr. Bishop provides cites to any specific references in the MH-031-2017 decision," right?
909. **MR. BISHOP:** Not at this specific page, but as we move over to page 18, that's where we talk more about where the Board has discussed benefits.
910. **MR. DAVIES:** Perfect. And over on page 15, if we can -- so it's -- or sorry, page 18 hard copy in A25 -- thank you. If we can just scroll down a bit? There you go. Perfect.
911. You hear Mr. Bishop quote two paragraphs from the MH-031-2017 decision in which the Board refers to benefits, right?
912. **MR. BISHOP:** Yes.



913. **MR. DAVIES:** And so when you said back on page 15 that the Board references shipper benefits numerous times in its evaluation of cost causation, is this the sum of it, the two paragraphs or are there other paragraphs in the decision that you had in mind?

914. **MR. BISHOP:** If you give me a moment, I can search for other instances of where the word "benefit" may have been discussed, but ---

915. **MR. DAVIES:** In relation to the issue of cost causation. Your search engine would have to be better than mine because I did the same and didn't find any. I actually shouldn't say that, because I didn't use a search engine because I don't know how. I actually read the decision.

--- (A short pause/Courte pause)

916. **MR. BISHOP:** Mr. Davies, based on my brief review here, yes, where the Board mentions benefits in these two cited pieces, benefits and beneficiaries.

917. **MR. DAVIES:** So "multiple times" means two times?

918. **MR. BISHOP:** "Multiple" would be more than one, yes. And here, I would say, they mentioned it three times in these two excerpts in terms of beneficiaries, benefits, and benefit.

919. **MR. DAVIES:** Now, the quotes for the two paragraphs quoted on hard copy page 18 of your reply evidence come from page 42 of the MH-031-2017 decision?

920. **MR. BISHOP:** That is correct.

921. **MR. DAVIES:** And the second paragraph in your quote is actually the first paragraph on page 42 and the first paragraph in your quote is actually the third paragraph on page 42, right?

922. **MR. BISHOP:** I see that, yes.

923. **MR. DAVIES:** Why did you reverse the order of the paragraphs?

924. **MR. BISHOP:** Again, there is no specific intention of doing that. It



just, in drafting it, must have seen the first one first, I guess. I'm not sure.

925. **MR. DAVIES:** The first paragraph that you quote is talking about the allocation of financial and operational risks, right?

926. **MR. BISHOP:** Yes.

927. **MR. DAVIES:** And that would include, for example, the risks associated with cost overruns or with unused capacity?

928. **MR. BISHOP:** It could, yes.

929. **MR. DAVIES:** Well, it does.

930. **MR. BISHOP:** Yes, it could refer to those as potentially other things.

931. **MR. DAVIES:** Well, in fact, if you hadn't deleted the last sentence of that paragraph, it would have gone on to say, as it does on page 42,

"Accordingly, the PPTM should promote efficient use of existing NGTL infrastructure and discourage overbuilding."

932. Right?

933. **MR. BISHOP:** Yes, that is what the decision says.

934. **MR. DAVIES:** Why did you leave that sentence out?

935. **MR. BISHOP:** We're talking about benefits here and the point being made was to -- it was regarding benefits and not relative to that last sentence.

936. **MR. DAVIES:** Well, this paragraph, I ---

937. **MR. BISHOP:** Well, it ---

938. **MR. DAVIES:** This paragraph, I suggest to you, Mr. Bishop, relates to the allocation of risks, not to the evaluation of cost causation, right?

939. **MR. BISHOP:** Mr. Davies, I guess I would say that as the Board is looking at cost causation, they have considered the risks and the benefits that have



been inherent. So those concepts are inextricably linked.

940. **MR. DAVIES:** Well, that leaves then the paragraph -- the second paragraph that you quoted, and here, Mr. Bishop, the specific benefit that the Board was talking about was,

"...the need for continued sources of gas supply..."

941. Do you see that?

942. **MR. BISHOP:** Yes, it says,

"While existing FT-D shippers benefit from and contribute to the need for continued sources of gas supply, the proportion of costs from the NMML Facilities allocated to existing system shippers' tolls should reflect the fact that existing System shippers only indirectly contribute to the need for, and [...] use of, the NMML Facilities."

943. **MR. DAVIES:** Why do you think the Board here was referring to existing FT-D shippers?

944. **MR. BISHOP:** I think the Board is referring here to the benefits or the benefit to FT-D shippers of bringing on new supply to this System because of the declines that the System experiences annually, significant declines that the System experiences annually, and therefore, the need to replenish those supplies continually in order to maintain the viability of the System overall.

945. **MR. DAVIES:** If we go back to the MH-031-2017 decision, and I'm at hard copy page 36, PDF page 54.

946. **MR. BISHOP:** Mr. Davies, what decision did you say?

947. **MR. DAVIES:** Sorry. MH-031-2017.

948. **MR. BISHOP:** Okay.

949. **MR. DAVIES:** And I'm looking at the discussion of cross-subsidization that starts at page 36 and goes over to page 37. Do you see any discussion in there, Mr. Bishop, about benefits to existing system shippers?



950. **MR. BISHOP:** Could we have the question again?
951. **MR. DAVIES:** Do you see any discussion in there about benefits to existing system shippers?
952. **MR. REED:** Mr. Davies, just to make sure we're following along, you said the bottom of page 36, the top of page 37?
953. **MR. DAVIES:** No. I said page 36 and page 37 under the heading, cross-subsidization -- the Board's findings on cross-subsidization. And my question to you was, is there any discussion in there about benefits to existing system shippers?
954. **MR. REED:** There is a reference to benefit in the paragraph beginning, "NGTL estimated that the FT-R revenue associated with the North Montney facilities is..." and it goes on. It talks about the claimed difference, "It claimed the difference was a net benefit to the existing NGTL system of 317 million." Of course, that number is now more than four times as large, but yes, there is that mention of net benefit.
955. **MR. DAVIES:** The tolling of the North Montney Mainline facilities being proposed by NGTL in this MH-031-2017 case would have resulted in toll reductions on the existing NGTL system? Right?
956. **MR. BISHOP:** Yes. It would have.
957. **MR. DAVIES:** And where in this decision does the Board say that the benefit of toll reductions on the existing system should be accounted for in assessing cost causation?
958. **MR. REED:** I'm not sure that it does. That principle however, was enunciated by the Board in the order right before this one, on Towerbirch, where it specifically said that the toll reduction was a benefit to be considered in the tolling methodology.
959. **MR. DAVIES:** You just had to throw that in, Mr. Reed, didn't you?
960. **MR. REED:** Well ---



961. **MR. DAVIES:** I was talking about this decision.
962. **MR. REED:** Right. And I wanted to make it clear that, while it may not be in this decision -- and I will leave it to Mr. Bishop to answer that -- it was the Board's express view, shortly before in the Towerbirch decision.
963. **MR. BISHOP:** I would just add, Mr. Davies, that in that in that Towerbirch decision, some of the same language that's used in that decision in terms of the meaningful contribution is effectively used verbatim in this decision.
964. **MR. DAVIES:** There's no need to turn this up, I don't think, but in your reply evidence, Misters Reed and Bishop, you provide information about the FERC's policy in respect of the tolling of new pipeline facilities. Right?
965. **MR. BISHOP:** We do.
966. **MR. DAVIES:** And you'll recall, Mr. Bishop, that you provided the same information about the FERC's policy and the reply evidence that you filed in the MH-031-2017 proceeding?
967. **MR. BISHOP:** Yes. I don't know if it's the exact same, but yes, we did discuss it in the prior case.
968. **MR. DAVIES:** It's pretty close.
969. **MR. BISHOP:** My recollection is that it is pretty close.
970. **MR. DAVIES:** So the Board had this information about the FERC policy before it -- when it made its MH-031-2017 decision, right?
971. **MR. BISHOP:** It would have. Yes.
972. **MR. DAVIES:** Now, if we go back to your reply evidence, Exhibit C02725-3, and I'm on hard copy page 7, PDF page 8.
973. And I'm looking at line 10, where you say,

"In the response to information request, NGTL Westcoast 1.2D, Mr. Stout indicates that there may be tolling methodologies other than stand-alone tolling that would satisfy



his requirement that the NMML shippers cover their costs to use the existing NGTL system, and the costs of the NMML facilities."

974. And it references the response to NGTL Westcoast 1.4, and then you then go on to say that Mr. Stout provides no examples of such other tolling methodologies. Do you see that?

975. **MR. BISHOP:** Yes. I see that.

976. **MR. DAVIES:** And if we turn up the Westcoast response to NGTL IR 1.2(d) -- and that is Exhibit C01725-2, at PDF page 6. Are you with me?

977. **MR. BISHOP:** Not yet, Mr. Davies.

978. **MR. DAVIES:** It's up on the screen in front of you, Mr. Bishop.

979. **MR. BISHOP:** Yes. I'm there.

980. **MR. DAVIES:** Okay. And the response does refer to NGTL Westcoast 1.4, as you say in your reply evidence, but it also refers to Westcoast response to PETRONAS IR 1.5(a). Right?

981. **MR. BISHOP:** It does.

982. **MR. DAVIES:** Which you didn't refer to in our reply evidence.

983. **MR. BISHOP:** I did not.

984. **MR. DAVIES:** Any particular reason why?

985. **MR. BISHOP:** If you give me a moment to look it up, I can try and recall.

986. **MR. DAVIES:** Let's do that. So that would be Exhibit C01725-3, and we're talking about the Westcoast response to PETRONAS IR 1.5(a).

--- (A short pause/Courte pause)

987. **MR. DAVIES:** Did you read this response to PETRONAS 1.5(a)



before you prepared your reply evidence, Mr. Bishop?

988. **MR. BISHOP:** I'm sure I did.

989. **MR. DAVIES:** And the second sentence says:

"Where the RH-001-2019 panel to vary the MH-031-2017 decision and revoke the requirement to use stand-alone tolling as the default methodology, then an alternative available to it would be to approve the NMML Tolling Methodology with a different Surcharge Coefficient."

990. Right?

991. **MR. BISHOP:** Yes, I see that.

992. **MR. DAVIES:** And that's an example of an alternative tolling methodology that could result in tolls for the NMML shippers that would cover their costs to use the existing system and the cost of the NMML facilities, right?

993. **MR. BISHOP:** That is correct. But based on the other responses, it was my understanding that unless you -- and it could be with a different surcharge, but my understanding was that surcharge had to be so high that the revenues reduced by the North Montney shippers would be either equal to or greater than the revenues under standalone tolling.

994. So, yes, you could have an alternative where the surcharge coefficient was different than .3, but unless it reached the threshold that it was effectively standalone tolling or greater, than it -- than that wasn't going to meet the standard.

995. **MR. DAVIES:** Let's turn up, please, NGTL's response to NEB IR2.3. And that is Exhibit C00654-2, PDF page 29, and it's Table NEB 2.3-1.

996. If we could just scroll down, please? Yes, thank you.

997. The second last line is entitled: "Revenue Contribution to the NMML Facilities (Annual Average [...]);" Right?

998. **MR. BISHOP:** Yes, that's what it says.



999. **MR. DAVIES:** And this is the contribution to the NMML cost of service, assuming that the revenue was first assigned to the NMML shippers' cost of using the existing NGTL system?

--- (A short pause/Courte pause)

1000. **MR. DAVIES:** And you can glean that, Mr. Bishop, if you're having difficulty, from the last line, which says: "Proportion of the NMML cost of service that are covered."

1001. **MR. BISHOP:** Mr. Davies, if your question was, was the second to last line effectively what is the residual North Montney Mainline revenue after you first apply or apply the revenue to the Saturn toll that we talked about earlier, then yes, I believe that is the case.

1002. **MR. DAVIES:** And what it shows is that -- well, if we look at the last line, what it shows is that with a surcharge coefficient of 0.9, the residual revenue would cover 102 percent of the NMML cost of service?

1003. **MR. BISHOP:** Yes, all those -- all of those percentages in the last line are based on the assumption that 100 percent of the North Montney revenues are applied first to the effectively standalone FT-R Saturn toll.

1004. **MR. DAVIES:** And so to cover the NMML shippers' cost of using the existing NGTL system on the basis that you've just described and pay the full cost of service of the NMML, the surcharge would need to be set at about 8.8? Is that right?

1005. **MR. BISHOP:** I think you meant to say .88 ---

1006. **MR. DAVIES:** Sorry, .8 ---

1007. **MR. BISHOP:** --- instead of 8.

1008. **MR. DAVIES:** Yes.

1009. **MR. BISHOP:** Mathematically, yes. But again, as we referenced earlier, that we don't agree with that construct because it's assuming that you're applying all the revenue or you're applying a revenue to all of effectively what is a standalone toll at Saturn and looking at this through the lens of a standalone



tolling is the benchmark to which one compares the level of cross-subsidization. And we don't agree with that.

1010. **MR. DAVIES:** Well the assumption is that the existing system costs are determined based on the Saturn toll times the North Montney Mainline shippers contract demand. That's the assumption; right?

--- (A short pause/Courte pause)

1011. **MR. REED:** Mr. Davies, I think your point is the one I was making earlier, which is that you have said is the cost of using the existing system, the Saturn toll, times the contract quantity of the North Montney Mainline shippers? And the answer is yes, that's the cost of using. But certainly that's not the cost caused by the North Montney Mainline shippers.

1012. I think, as we all know, the North Montney Mainline shippers actually cause no costs on the existing mainline. In fact, they make a contribution of an aggregate \$1.4 billion to cover existing costs, costs that were there before the North Montney shippers ever showed up.

1013. So it's important to understand the difference between the cost of using, which is the toll, and the costs caused by the North Montney shippers, which on the existing system, are zero.

1014. Our -- the NGTL's methodology, which we have endorsed here as being reasonable, says in aggregate, 73 percent of the costs of the two different cost pools put together are being covered by the North Montney shippers, even though the only cost they cause directly to be incurred are the costs of the extension, the North Montney Mainline. They cover all of those costs and make a \$1.4 billion contribution above and beyond that to existing costs in the system.

1015. So you can look at it from the lens, I suppose, of stacked tolls which is how this question was posed, where you attribute all of the cost to one part of the system and then to the other part.

1016. In rendering my opinion as to why this is a reasonable outcome, I did not approach it from either the lens of stacked tolls, or the lens of rolled-in tolls. I looked at it as best I could from the entirety of the Board's guidance with regard to the contribution that North Montney Mainline shippers should make, both to incremental costs and to existing costs.



1017. And I invite Mr. Bishop to add to that if he'd like to.
1018. **MR. BISHOP:** I don't have anything else to add to that.
1019. **MR. DAVIES:** I wonder if we could turn up, please, NGTL's response to Westcoast IR 1.11 -- yeah, sorry, 1.11. Thank you.
1020. And you'll see that in the preamble there is a quote from the last paragraph on page 41 of the MH-031-2017 decision, right?
1021. **MR. BISHOP:** I'm sorry, Mr. Davies, can you -- it's NGTL's response to Westcoast...?
1022. **MR. DAVIES:** One point one, one (1.11).
1023. Who prepared this? I thought it was an NGTL response but maybe it was -- came from you, Mr. Bishop. I don't know.
1024. **MR. BISHOP:** Yeah, I think it was a joint response. I don't recall specifically.
1025. **MR. DAVIES:** And the point I had made was that the preamble quotes from the last paragraph on page 41 of the MH-031-2017 decision.
1026. **MR. BISHOP:** Yes, we see that "in reference to".
1027. **MR. DAVIES:** And you tell us in the response to (a) that you don't disagree with the Board's statement, right?
1028. **MR. BISHOP:** That's correct.
1029. **MR. DAVIES:** And then in (b) you're asked:
- "What actual percentage of the incremental costs caused by the construction and operation of the NMML Facilities, [does NGTL consider as] attributable to the existing System users' indirect use of, and need for, the NMML Facilities?"*
1030. That was the question -- with me?



1031. **MR. BISHOP:** Yes, that is the question.
1032. **MR. DAVIES:** And your response indicates that your assessment of the costs caused by the existing system shippers relies on qualitative factors and includes a reflection of benefits?
1033. **MR. BISHOP:** It does and I think this goes to what Mr. Reed was talking just a moment ago. You know in the MH-031-2017 decision you have, on the one hand, where the Board found that applying the existing -- prior existing polling methodology for rolled-in tolling was insufficient and resulted in excessive cost subsidization. However, on the other hand, it also found that the Board had found that the facilities were integrated and that there was an indirect need for the facilities by all the existing system shippers and that standalone tolling was not either required or necessarily the favourite methodology but, rather, provided options.
1034. So again, this is looking at that guidance and it's effectively considering the costs here as in (b) in terms of what the construction and operations in North Montney facilities are, as well as the costs on the existing system and it's somewhere above where they found there was cost subsidization last time and something below, in our view, standalone tolling.
1035. **MR. DAVIES:** Do you remember the question I asked you?
1036. **MR. BISHOP:** I do.
1037. **MR. DAVIES:** What was it?
1038. **MR. BISHOP:** You asked me how the response to (b) reflects the construction operation in the North Montney facilities and I'm trying to explain that it does rely on these effectively ultimately qualitative factors because of there is no benchmark specifically laid out in the decision or in other decisions, frankly, in terms of such as there is in other jurisdictions.
1039. **MR. DAVIES:** That wasn't the question I asked you, Mr. Bishop. The question that I asked you was: Your response indicates that your assessment of the costs caused by existing system shippers relies on qualitative factors and includes a reflection of benefits. Yes?



1040. **MR. BISHOP:** And I agreed with that, yes.
1041. **MR. DAVIES:** So based on your assessment of qualitative factors and benefits, what percentage of the NMML costs does NGTL consider should be attributed to existing system users?
1042. **MR. TROUT:** If I may jump in, Mr. Davies, and as my colleague, Mr. Reed, already mentioned, if you look at the revenues and you look at the perspective of the costs of using both the North Montney and the existing system, the revenues are covering 73 percent of those costs. So if you invert that -- and this is looking at the extreme of standalone, which I will point out that the Board did say that the default of standalone was not an indication that they favour standalone -- that results in 27 percent remainder coming from their remaining system.
1043. I think it's important too to recognize the benefits and although at times it can be difficult to put an exact quantitative number on, this is really the way the NGTL system operates through the integrated nature of the system where receipts are immediately available whether they come from North Montney or any other receipt points, they are able to be delivered to any delivery point across the system. This is how the system has evolved over time where incremental facilities whether that be extensions and expansions, continue to grow to connect both receipts and delivery and allow those markets to grow.
1044. The other piece, I would say, when we considered, you know, whether that 27 percent was reasonable is the system's need for supply. And even since we were in this room the last time, we have observed increasing declines elsewhere on the system that if not for gas such as the North Montney, the system would in fact be short.
1045. Further to that, we've had 4 Bcf of incremental delivery in contracts signed, even since the North Montney proceeding in MH-031-2-17. That gas needs to come from somewhere and we observe now that by 2023 the system is in balance. And in fact, without North Montney's supply the system could find itself in short supply which results in decrease throughputs and increased tolls for everybody.
1046. The last is that economic supply is essential for the NGTL system and, in particular, North Montney where producers are choosing to drill. And that is what will allow the basin to be competitive, the NGTL system, and again



maintain those throughputs. So although difficult to quantify at times, we believe that the combination of that and the benefits that my colleagues had previously mentioned which are things such as reduction in tolls, this is reasonable considering the fact that the existing system will receive a benefit.

1047. **MR. DAVIES:** Anything else that anybody wants to repeat from their evidence before we get back to cross-examination?

1048. Mr. Reed, you want to repeat something? Go ahead.

1049. **MR. REED:** I don't want to repeat a point. I do want to add one that adds to what Mr. Trout just said which is that in addition to satisfying the standard from page 41, we were also taking into consideration the Board's guidance with regard to the statement that North Montney Mainline shippers should provide a meaningful financial contribution to the existing system. And the solution provided here in terms of the point three (.3) surcharge methodology was meant to satisfy both standards. In my view it does.

1050. It does make a meaningful, a \$1.4 billion contribution to the existing system and it does at the same time reflect that a portion of the cost causation is to the benefit -- to the system as a whole. Whether you take that as 27 percent of the stacked toll, which is Mr. Trout's methodology, or whether you build up from a rolled-in toll, I don't think there's one version of the math that's right and the other that is wrong. But I do think you have to consider both standards -- both pieces of guidance that the Board provided.

1051. **MR. DAVIES:** Should we get back to the questions? Is that okay?

1052. **MR. BISHOP:** Sure.

1053. **MR. DAVIES:** Okay. Here was the question that I'll ask again. Based on your assessment of qualitative factors and benefits, what percentage of the NMML costs does NGTL consider should be attributed to existing system users?

--- (A short pause/Courte pause)

1054. **MR. TROUT:** Mr. Davies, as I mentioned, from the view of a standalone toll, the revenue covers 73 percent. That would mean that that the benefit that we're applying to the rest of the system is 27 percent. The



combination of the increased distance sensitivity, along with the surcharge, will result in a toll on North Montney that's roughly 50 percent higher than tolls at Saturn, despite the fact that it's only 200 kilometers further away, and the Board did say that it's integrated with the existing system.

1055. **MR. DAVIES:** I'm going to try it one more time, because that's not responsive to the question. The question is -- and we were looking at the response to Westcoast IR 1.11 -- based on your assessment of qualitative factors and benefits, what percent of the NMML costs does NGTL consider should be attributed to existing system users? What's your number?

1056. **MR. REED:** I think we'd have to come back to the answer we've already provided, which is 27 percent of the cost when you consider equal coverage between the existing cost pool and the incremental cost pool. And as Mr. Trout said, that's roughly a 10 cent or 50 percent increase over rolled-in tolls, and it's a 27 percent reduction, compared to stacked tolls. So 27 percent is the answer, Mr. Davies, when applied equally across the existing cost pool and the incremental cost pool.

1057. **MR. DAVIES:** So your answer, what percent of the NMML costs does NGTL consider should be attributed to existing system users -- your answer's 27 percent?

1058. **MR. REED:** When one considers both cost pools together, yes.

1059. **MR. DAVIES:** I'm not talking about both cost pools together, Mr. Reed. I understand you want to talk about that, but look at what the Board has said in paragraph 41. They've said that these revenues should account for costs of using the existing NGTL system, and the incremental cost caused by the construction and operation of the NMML facilities, less the portion of the cost attributable to the existing system users in direct use of and need for the NMML facilities.

1060. My question is, what portion of those costs do you say are attributable to the existing system users?

1061. **MR. REED:** And the answer is just what we gave you, which is 27 percent if one makes the same assumption across the incremental cost pool as to the existing cost pool.



1062. You can look at it from two different perspectives, and you can make the number larger or smaller depending upon how you attribute revenues. Do you attribute revenues first to the existing system, or first to the extension?
1063. And the answer is, I think it's most reasonable when you look at applying the same percentage across both cost pools. So the answer depends on the assumption you make with regard to the other cost pool, which is why you can only answer it in the aggregate.
1064. **MR. DAVIES:** Does NGTL agree that shippers that contract for FT-R services, at Saturn, make a contribution to the NGTL system costs by paying the Saturn FT-R toll?
1065. **MR. TROUT:** Yes. They do.
1066. **MR. DAVIES:** And the contribution that Saturn shippers make by paying the Saturn FT-R toll covers the costs of transporting their gas on the existing NGTL system from Saturn?
1067. **MR. TROUT:** It covers the allocation of the cost to their service.
1068. **MR. DAVIES:** The allocation of the cost by NGTL?
1069. **MR. TROUT:** I would say, NGTL and its shippers through the rate design that was agreed to in the Settlement.
1070. **MR. DAVIES:** Is it your view that the Saturn shippers, by paying the Saturn FT-R toll, make a fair contribution to the NGTL system costs?
1071. **MR. TROUT:** Yes.
1072. **MR. DAVIES:** Is it your view that the Saturn shippers, by paying the Saturn FT-R toll, make a meaningful contribution to the NGTL system costs?
1073. **MR. TROUT:** Yes, they do.
1074. **MR. DAVIES:** What was your preference, Mr. Chairman, in terms of a break? I would think I may have another half hour, which might put me a few minutes over by my estimate, but I think there are reasons for that, other than my questions.



1075. **THE PRESIDING COMMISSIONER:** I think now would be a good time to take a break. Reconvening at 3:00.

--- Upon recessing at 2:44 p.m./L'audience est suspendue à 14h44

--- Upon resuming at 3:07 p.m./L'audience est reprise à 15h07

RICHARD PRIOR: Resumed

MICHAEL RITSCH: Resumed

BLAINE TROUT: Resumed

PENELOPE ECHENAGUSIA: Resumed

COLIN COOPER: Resumed

JOHN J. REED: Resumed

TOBY BISHOP: Resumed

1076. **THE PRESIDING COMMISSIONER:** Mr. Davies.

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

1077. **MR. DAVIES:** Thank you.

1078. Can NGTL tell us under its proposed rolled-in tolling methodology, who is that pays for cost overruns on the North Montney Mainline?

1079. **MR. TROUT:** First think, Mr. Davies, is that we discussed earlier that there aren't expected cost overruns -- we're tracking on budget. But to the extent that costs changed, whether that be less or more than what the estimated cost was, both North Montney and the existing system would share in that cost reduction or cost increase.

1080. **MR. DAVIES:** And by North Montney, you mean the North Montney Mainline shippers?

1081. **MR. TROUT:** That's correct.

1082. **MR. DAVIES:** And under NGTL's proposed rolled-in tolling methodology, who is it that pays for costs associated with unused North Montney Mainline capacity?



1083. **MR. TROUT:** Well, North Montney Mainline shippers would pay for their contracts, whether they choose to use the contracts or not.

1084. **MR. DAVIES:** And to the extent that you've built capacity that's not used, who pays for that?

1085. **MR. TROUT:** Firstly, I'll say we believe that's highly unlikely and the North Montney area has some of the most economic supply in the Basin, however, to the extent that, you know, that the facilities were utilized at a lower level, the contract revenue still covers 80 percent of the North Montney costs, or sorry -- the depreciation that occurs over the contract term is 80 percent of the coverage of the costs.

1086. **MR. DAVIES:** So the cost of unused capacity is paid for by shippers, not by NGTL, right?

1087. **MR. TROUT:** Yes, that reflects the nature of the NGTL system, where all shippers share the benefits and burdens of the facilities.

1088. **MR. DAVIES:** If you could turn up MH-031-2017, page 42, PDF page 60?

1089. And I'm looking at the third paragraph. We've talked about this before.

1090. And it says:

"The long term financial and operational risks of the NMML Facilities should be allocated amongst those who reap the benefits -- this includes FT-R shippers on the NMML Facilities, NGTL and existing shippers. However, as the FT-R shippers on the NMML Facilities and NGTL are largely the beneficiaries from the decisions that define the scope and costs of NMML Facilities, so should they bear proportionate risk for these decisions."

1091. You see that?

1092. **MR. TROUT:** Yes, I do.



1093. **MR. DAVIES:** And what you just told me is that under your proposed rolled-in tolling methodology, NGTL in fact bears no risk for those decisions; right?
- (A short pause/Courte pause)
1094. **MR. TROUT:** Throughput variability on the NGTL system or the North Montney Mainline facilities is attributable to the shippers, not to NGTL.
1095. **MR. DAVIES:** But here we have the Board saying that NM -- shippers on the NMML facilities and NGTL should bear proportionate risk for the decisions that define the scope and cost of NMML facilities. And you've come forward with a tolling proposal that assigns zero risk to NGTL for those decisions. How have you complied with the Board's guidance?
1096. And you can just say, "We haven't," and I'll move on.
1097. **MR. TROUT:** A number of factors have changed even since this decision, and that's increased delivery contracts and increased need of the rest of the system.
1098. However, that being said, North Montney Mainline shippers do bear some of this additional risk, to the extent that there wasn't re-contracting, which I believe is extremely unlikely, given the highly economic supply that can have an impact on the surcharge level.
1099. **MR. DAVIES:** The Board, in MH-031-2017 rejected NGTL's proposed tolling methodology for the North Montney Mainline and it provided NGTL the opportunity to reapply for a new tolling methodology before defaulting to a standalone tolling methodology, right?
1100. **MR. TROUT:** That's correct.
1101. **MR. DAVIES:** Do you think that the Board would have prescribed standalone tolling as a default methodology if it considered that standalone tolling would result in tolls for the North Montney Mainline shippers that would be unjust, and unreasonable, and unduly discriminatory?
1102. **MR. TROUT:** I would note that the Board specifically said that the default to standalone tolling was not an indication that they prefer or support



standalone tolling, but rather it was that they did not have sufficient evidence or alternatives to make a determination on some other form of tolling.

1103. They did provide the opportunity for NGTL to go away, develop a revised methodology. One of the options they provided was a surcharge. That's the methodology that NGTL, in discussions with the North Montney shippers and through the TTFP chose to proceed with, and it now reflects the increased distance sensitivity that results from the new rate design, as well as a surcharge that does not apply to any other shippers on the NGTL system, but is simply to respond to the guidance that the Board provided.

1104. **MR. DAVIES:** Well, what the Board said was that the requirement for standalone tolling is not an indication that the Board favours standalone tolling, right?

1105. **MR. TROUT:** Yes, that's what I said.

1106. **MR. DAVIES:** But are you suggesting that the Board would have prescribed standalone tolling as a default methodology without giving any consideration at all to whether that would comply with its statutory obligation to ensure that tolls are just and reasonable and not unduly discriminatory?

--- (A short pause/Courte pause)

1107. **MR. TROUT:** I'm not suggesting what the Board decided was not just and reasonable at the time. However, the Board provided NGTL the opportunity to return, and that's what NGTL has done with the methodology in which they said could be a consideration for NGTL's proposed revised methodology.

1108. **MR. DAVIES:** So are you suggesting by that response that the Board would have, in prescribing standalone tolling as a default methodology, given consideration, in your view, to whether standalone tolling would result in just and reasonable and not unduly discriminatory tolls?

1109. Surely the Board would have given thought to its statutory mandate before imposing a default methodology. Don't you agree?

1110. **MR. TROUT:** So again, Mr. Davies, I'm not denying that circumstances. But what the Board did do is provide NGTL with guidance and



the ability to come back. And they were very clear that it is not an indication that they favour standalone tolling for the post provisional period.

1111. **MR. DAVIES:** The MH-031-2017 decision, as you've just mentioned, allowed NGTL to file an application to the Board for a new tolling methodology for the North Montney Mainline, right?
1112. **MR. TROUT:** Yes, that's correct.
1113. **MR. DAVIES:** Why did NGTL choose not to do that?
1114. **MR. REED:** Mr. Davies, I think we're confused by your question. Could we have it again?
1115. **MR. DAVIES:** Well, let me put this to you.
1116. NGTL did not file a part 4 application for approval of a surcharge methodology. What it did was file an application for approval of a settlement, one term of which was that the settlement parties acknowledged that the North Montney Mainline shippers would be subject to a surcharge methodology, right?
1117. **MR. TROUT:** NGTL was in the midst of a two-year rate design process when the North Montney decision came out.
1118. In part, the rate design that resulted from that resulted in increased ceilings to the existing system tolls.
1119. So that resulted in the North Montney toll increasing at, say, the Blair Creek receipt point by four cents. So NGTL took that, and in addition to that, came up with the surcharge methodology. And that's what NGTL has applied for as part of this broad package, which includes both the rate design and underpinned by the Settlement, as well as the North Montney component, which in part, relies on the Settlement that shippers endorse the concept of a surcharge, but also leaves the discretion to the Board to determine the appropriate coefficient level that is responsive. in their opinion, to what they've asked for, which is a more meaningful contribution from the North Montney shippers.
1120. **MR. DAVIES:** Okay. I'm not talking about the surcharge level. I realize that's not in the Settlement. But what is in the Settlement is the surcharge methodology.



1121. And my question to you is, why did NGTL choose to include the surcharge methodology in a Settlement as opposed to asking for approval of the methodology in a Part IV application?

--- (A short pause/Courte pause)

1122. **MR. TROUT:** Mr. Davies, as part of the Settlement, it included a provision that extensions and expansions on the NGTL System would continue to be rolled in. So in the context of specifically the North Montney Mainline, NGTL took this as part of our consultation process to the rate design process and it tried to work to ensure that this is as aligned as possible with the way the existing system worked, and felt that that was an appropriate means of ensuring that it's broadly supported by NGTL shippers, but recognizing different shippers may have a different view on the appropriate coefficient, so had them support the concept of the surcharge without having to support the specific coefficient.

1123. **MR. DAVIES:** And my question is, why did you put that in a settlement as opposed to asking for approval of it in a Part IV application?

1124. **MR. DUNCANSON:** Mr. Chairman, one aspect of Mr. Davies' question that I'm not sure is fair to put to these witnesses is this characterization of this application not being a Part IV application that's being put before the Board. I'm not sure if that's what Mr. Davies is trying to suggest, but if it is, I submit that that's a more appropriate issue for argument as opposed to cross-examination.

1125. **MR. DAVIES:** Are you asking for -- is NGTL asking for approval of a Settlement?

1126. **MR. TROUT:** So NGTL specifically, in the application, is seeking relief for -- from the Board to approve the North Montney tolling methodology inclusive of the surcharge as part of this proceeding.

1127. **MR. DAVIES:** Well, I thought that you were asking for approval of a settlement, one component of which was your surcharge methodology; is that not so?

1128. **MR. TROUT:** It's both components, Mr. Davies.

1129. **MR. DAVIES:** What do you mean, both components?



1130. **MR. TROUT:** So NGTL has applied for a broader rate design that as I mentioned, had been undertaken for about a two-year process, and the North Montney decision came out. And part of the revised rate design actually addressed what the Board's concern was, which was the fact that the tolls were constrained by the ceiling at the time of the variance application. So NGTL took that piece, which was relevant to the Settlement, and paired that with the fact that the Board said it needs to be a more meaningful contribution than simply removing the ceiling.
1131. Then we developed the surcharge methodology which became part of the Settlement through discussions with parties participating in the rate design process for the surcharge. NGTL outside of that is applying for the specific level that the coefficient would be approved as.
1132. **MR. DAVIES:** So can the Commission, in your view, deny the proposed surcharge methodology for the North Montney Mainline without denying the Settlement? I thought your position was it couldn't do that?
1133. **MR. DUNCANSON:** Mr. Chairman, we're getting into matters of legal argument. We will be addressing this in our argument.
1134. **MR. DAVIES:** It's not just in legal argument; it's in the information that you filed. Do you want me to pull up the response?
1135. **THE PRESIDING COMMISSIONER:** If the coefficient is in front of this panel and the panel is at liberty to accept the coefficient that's applied for or set another one, we could choose to set the coefficient at 1.0 or 0 or anywhere in between, right?
1136. So I think I agree -- we agree with Mr. Duncanson to the effect that whether the coefficient is sufficient, it's a matter of argument, and we've heard them defend the .3 and whether that's persuasive or not remains to be determined.
1137. But I do submit that the Panel is of the view that Mr. Duncanson makes a good point, that it's where you're going with this so far seems to be more towards the argument phase.
1138. **MR. DAVIES:** Well, let me ask this question. By including the surcharge methodology in a settlement, was it NGTL's intention to preclude or



inhibit or discourage the Commission from considering other possible toll methodologies for the North Montney Mainline, like, for example, standalone tolling?

1139. **MR. TROUT:** No, that was not our intention. Our intention was to provide a reasonable methodology that results in -- as addressing the Board's concerns in their MH-031-2017 decision, and that's what NGTL believes that we have done.

1140. And as I previously mentioned, considering that that's the way that the nature of the NGTL System has evolved, the portion that suggests that it would be rolled in with the surcharge was included in the Settlement.

1141. **MR. DAVIES:** Well, Mr. Prior, when in your opening statement, you said that Westcoast advocates for standalone tolling, and you say that that position is contrary to the Settlement, what's your point?

1142. **MR. PRIOR:** I think you just made my point.

1143. **MR. DAVIES:** Well, are you levelling criticism at Westcoast for advocating a tolling methodology that is different than the surcharge methodology that is acknowledged in the Settlement?

1144. **MR. PRIOR:** I don't think I'm levelling criticism. I think we're just suggesting that the position is -- we don't think reflects what was the direction from the previous decision from the Board.

1145. **MR. DAVIES:** Was Westcoast invited to participate in the Settlement discussions that you had?

1146. **MR. PRIOR:** No, they were not, and that -- Westcoast is not a customer on the System and so they would not participate in the settlement negotiations.

1147. **MR. DAVIES:** If the Commission were to determine that stand-alone tolling is the most appropriate tolling methodology for the North Montney Mainline, is it the position of NGTL that the Commission should nevertheless approve a surcharge methodology because that is what is acknowledged in the Settlement?



1148. **MR. PRIOR:** I think we've responded to this in an IR and our position is that that would upset the balance of the Settlement agreement.
1149. **MR. DAVIES:** So let me repeat the question. If the Commission were to determine that standalone tolling is the most appropriate tolling methodology for the North Montney Mainline, is it the position of NGTL that the Commission should nevertheless approve a surcharge methodology because that is what is acknowledged in the Settlement?
1150. **MR. PRIOR:** Yeah. So I think -- you know, I would answer similar to what just answered the previous question, that we think it would upset the balance of the Settlement agreement; however, I think, as you pointed out, there is flexibility to adjust the surcharge coefficient to simulate something different. So ---
1151. **MR. DAVIES:** Actually, that was the other Mr. Davies that pointed that out.
1152. **MR. PRIOR:** No, I think you mentioned .88 earlier.
1153. **MR. DAVIES:** But let me -- I don't think you're responding to the question.
1154. **MR. PRIOR:** Okay.
1155. **MR. DAVIES:** The question is this: if the Commission were to decide that a standalone toll is the most appropriate tolling methodology for the North Montney Mainline, is it the position of NGTL that the Commission should, nevertheless, approve a surcharge methodology, because that is what is acknowledged in the Settlement?
1156. **MR. PRIOR:** As -- this is -- it's not our position that the Commission should do something that it feels that it's the right decision to make in this case. I think our position would be it would upset the balance of the Settlement agreement.
1157. **MR. DAVIES:** I just have two more lines of questioning. The first one's a fairly short one.
1158. If we could turn up, please -- and you referred to this this morning --



your response to the Commission's information request 4.7, which is figure CER 4.7-1, and that is Exhibit C03224-1, PDF page 29. Thanks.

1159. Is this intended to be an update to Figure 3-5 in the application?
1160. **MR. TROUT:** Yes, it is.
1161. **MR. DAVIES:** And I don't know whether we need to go back to Figure 3-5, but you tell me if we do.
1162. Figure 3-5 shows FT-R at about 21 Bcf a day by November 2022.
1163. **MR. TROUT:** Yes, that's correct.
1164. **MR. DAVIES:** And this new figure shows FT-R at about 19 Bcf a day by November 2022?
1165. **MR. TROUT:** That's correct.
1166. **MR. DAVIES:** So have you lost two Bcf a day of new FT-R contracts since you filed your application in March?
1167. **MR. TROUT:** Not new FT-R contracts, but some contracts have non-renewed, resulting in a balance between FT-R and FT-D at 19 Bcf in 2023.
1168. **MR. DAVIES:** So you've had two Bcf a day of non-renewals since March?
1169. **MR. TROUT:** Yes, that's what the graph shows.
1170. **MR. PRIOR:** We spent some time on this this morning, but as I think we iterated then, not entirely -- I shouldn't say alarming, you know, to us and that you have -- you've got significant supply declines. So some of these, maybe the contracts were where people have reached the end of their term and are moving a contract, and that means they may non-renew.
1171. But we build our system to the lesser of market and supply. And so the fact that market and supply are coming into alignment in 2023, you know, this really hasn't changed our system buildout and our capital spend profile because we weren't building more facilities than the previous graph ---



1172. **MR. DAVIES:** Were most ---
1173. **MR. PRIOR:** --- than what was in the previous graph. Sorry.
1174. **MR. DAVIES:** Were most or all of these lost FT-R contracts for service in Alberta?
1175. **MR. TROUT:** I would say there's a large portion that non-renewed in what NGTL refers to as the mainline in northeast areas of the system, which are in Alberta. But there was some rationalization of contracts throughout the system.
1176. **MR. DAVIES:** Do you think maybe it's being squeezed out by that Northeast B.C. gas?
1177. **MR. TROUT:** I wouldn't characterize it that way.
1178. In an earlier discussion, we had a conversation about where are wells being drilled? And what NGTL has observed is that shippers or producers are drilling wells where the gas comes with high liquids values. That's very important to the WCSB to be able to compete in a highly competitive North American market. So shippers are choosing to drill where it's most economic, which is in the interest of the entire WCSB to maintain high levels of throughput.
1179. **MR. DAVIES:** The Settlement prescribes a default methodology for extensions -- for new extensions and expansions, which is rolled-in tolling and the rate design as applicable to the rest of the NGTL system; right?
1180. **MR. TROUT:** Yes.
1181. **MR. DAVIES:** And if we turn up, please, your additional written evidence, under Issue 1.1, and you -- are you with me?
1182. **MR. TROUT:** Getting there. Not yet.
1183. **MR. PRIOR:** We're all there.
1184. **MR. DAVIES:** Thank you.
1185. Now at line 9, you say that:



“The rolled-in methodology in the Settlement for extensions and expansions is conditional on an assessment of the degree of integration, nature of service and satisfactory determination that there is no excessive cross-subsidization having regard to project costs and associated contract revenues.”

1186. Right?

1187. **MR. PRIOR:** Yeah, that’s correct.

1188. **MR. DAVIES:** And then in the next sentence you say that:

“For any proposed extension or expansion, the facilities application would address the basis of the proposed tolling methodology -- whether the default methodology or an alternative tolling methodology -- and include NGTL’s assessment of the factors noted in the Settlement.”

1189. Right?

1190. **MR. PRIOR:** Yes.

1191. **MR. DAVIES:** So if for every proposed new extension or expansion NGTL is going to determine the appropriate methodology based on:

“...an assessment of the degree of integration, nature of service and satisfactory determination [of] no excessive cross-subsidization...”

1192. What is the purpose of describing a default methodology?

1193. **MR. PRIOR:** Yeah, I -- so for us, I think the purpose is so that customers that we’re dealing with and discussing extensions or expansions on the system have an understanding that the starting point for decision making is going to be based on a roll-in tolling methodology and that we’re not starting from a different place. We still -- that doesn’t preclude us or prevent us from having to demonstrate that when we file facility applications. But that ensures that, you know, our customers and NGTL has a baseline for how we set our plans in terms of what the tolling is going to look like so that we can both make investment



decisions.

1194. **MR. DAVIES:** So it's the starting point or baseline, is what you're telling me?

1195. **MR. PRIOR:** Well and I think in most situations, rolled-in tolling is going to be the situation that occurs on the NGTL system. It will only be in exceptional circumstances that we end up with a different tolling methodology.

1196. **MR. DAVIES:** If we could turn up, please, your response to Westcoast IR 1.15? That's Exhibit C00032-10 at -- I'm looking at PDF page 22.

1197. Are you with me?

1198. **MR. PRIOR:** Yeah, we've got it on the screen.

1199. **MR. DAVIES:** And in (b), in the first sentence, you say:

"A Part IV application would be filed in relation to any alternative tolling methodology that is proposed, whether as part of a related facilities application or through a separate application."

1200. You see that?

1201. **MR. PRIOR:** Yes.

1202. **MR. DAVIES:** So what you said in your additional written evidence -- well, let me ask you this. Are you saying that you'd only file a Part IV application if you determined that something other than the default methodology was required?

1203. **MR. PRIOR:** Yes. I think that's the correct answer.

1204. **MR. DAVIES:** So you wouldn't file a Part IV Application if you determined that the default methodology would apply to a new extension?

1205. **MR. PRIOR:** Yeah., that's correct. We may provide additional information as part of the filing to substantiate the rolled-in tolling methodology. I think we had that in the AWE, but yes, that's correct.



1206. **MR. DAVIES:** In fact, in the AWE, you said you would file that information. Right?

1207. **MR. PRIOR:** That's correct.

1208. **MR. DAVIES:** And when you look at (b), the second sentence -- that is Westcoast 1.15(b), you say,

"Where warranted or requested, NGTL would also file information relating to its assessment of the three criteria."

1209. So you told us in the additional written evidence that that information would be included in the facilities application, and here you're saying it might be included where warranted or requested. Which is it?

1210. **MR. PRIOR:** Yeah. So we'll file an application in accordance with the Board's filing requirements.

1211. **MR. DAVIES:** Well, what? A facilities application or a Part IV Application?

1212. **MR. PRIOR:** It would be a facilities application if that's all that's required, and a Part IV if additional information is required.

1213. **MR. DAVIES:** So sorry. In each and every application, are you going to provide this information or not? You said in the written evidence you would, here you're seeming to suggest that you'd only provide it where warranted or requested. So which is it?

1214. **MR. PRIOR:** We said we would provide information.

1215. **MR. DAVIES:** If we could -- so we can delete from this response to be, "where warranted or requested." Are you happy with that?

--- (A short pause/Courte pause)

1216. **MR. PRIOR:** Yeah. So I think we'll -- we would expect to file what's necessary as part of a facilities application and we'd expect to comply with what we filed in the AWE and we would just expect that our filing's requirements



are no different than what is required as part of the Board's requirements for pipeline filing applications or facility applications.

1217. **MR. DAVIES:** Okay. You don't need to turn this up, I don't think, but in your response to the Commission's information request 4.3, you discussed the criteria that NGTL would apply in considering a departure from the default tolling methodology. And you told me earlier that the default tolling methodology would be a starting point, and you told me that such a departure would only happen in unusual circumstances. In fact, that's what you say in your response to Westcoast 1.15(a).

1218. Now, Mr. Prior, that doesn't seem to me to be a default methodology. It seems to me to be more akin to a prima facie methodology, which is one that is accepted as correct unless proven otherwise. Is that what your default methodology is intended to be?

1219. Let me run through those bite-sized for you. In your response to the Commission's information request 4.3, you discussed the criteria that NGTL will apply in considering a departure from the default tolling methodology. Right?

1220. **MR. PRIOR:** Is that -- are you stating a fact or asking a question?

1221. **MR. DAVIES:** I'm saying that's what you said in the response.

1222. **MR. PRIOR:** Okay. That's ---

1223. **MR. DAVIES:** So the starting point will be rolled-in tolling and the same toll design as the rest of the system, and then NGTL will determine whether there is a debate -- a basis to depart from that methodology, right?

1224. **MR. PRIOR:** Yes.

1225. **MR. DAVIES:** And you tell us -- if you want to pull it up -- that in the response to Westcoast 1.15(a), you say that that departure, in your view, would only occur in unusual circumstances. I think you told me that earlier.

1226. **MR. PRIOR:** Yeah. I said exceptional, but yes.

1227. **MR. DAVIES:** Now, my point was, that doesn't seem to me to be a default methodology. It seems to me to be more akin to a prima facie



methodology, and by that I mean accepted as correct until proven otherwise. And my question is, is that what this was intended to be?

1228. **MR. DUNCANSON:** Mr. Chairman, I think here we're making arguments about what the evidence is. If the question is asking the panel what they mean by "default", that's fine and Mr. Davies has already asked those questions. Putting questions to the panel about whether they considered this to be prima facie, which is a legal test, is not an appropriate question to be putting to these witnesses.

1229. **MR. DAVIES:** Okay. Let me take prima facie out of it. By default methodology, do you intend to be the methodology as one that is accepted as correct unless proven otherwise?

--- (A short pause/Courte pause)

1230. **MR. PRIOR:** I don't think I'd change my previous comments about how I'd describe default methodology. It's a methodology that generally acknowledges that most expansions, or many expansions on the NGTL are aggregate system expansions, and that they are a balancing of receipts and deliveries on the system. And as such, we start with a default tolling methodology.

1231. **MR. DAVIES:** So if we're in a future rate proceeding like this one -- I probably won't be, but you might -- and rolled-in tolling and the same toll design is determined by NGTL to be appropriate for a new extension, is it NGTL's position that intervenors would prove the onus -- would bear the onus of proving otherwise?

1232. **MR. DUNCANSON:** Again, Mr. Chairman, this is a legal issue -- who has the onus in a future proceeding. We can deal with this in Argument if this is something that Mr. Davies wants to raise.

1233. **MR. DAVIES:** Well, I'm asking whether it's the position of NGTL, whether intervenors will bear the onus of convincing the Commission that the tolling methodology should be other than a default methodology. And if Mr. Duncanson wants to answer that question, I'm happy to take his answer, but I think I'm entitled to an answer.

1234. **MR. DUNCANSON:** Mr. Chairman, to the extent that Mr. Davies



wants an answer to that question, I submit that the appropriate time for that is Argument, not now.

1235. **MR. DAVIES:** So can I just confirm that Mr. Duncanson will be addressing that question in his final argument?

1236. **MR. DUNCANSON:** I suppose, Mr. Chairman, if this is something you'd like to hear from us in our Argument, we're happy to address it. This was not an issue that we considered to be a relevant issue but happy to speak to it if you'd like.

1237. **THE PRESIDING COMMISSIONER:** I think the Panel would encourage that in Argument. It does go to the question of binding a future panel and we'd like to know to what extent this panel would be purporting to do that.

1238. **MR. DAVIES:** Thank you, gentlemen.

1239. Thank you, Mr. Chairman.

1240. Those are my questions.

1241. **THE PRESIDING COMMISSIONER:** Thank you.

1242. Ms. Twyman, how do you feel about starting now? That's not a hint, by the way, it's ---

1243. **MS. TWYMAN:** Mr. Chairman, I'm completely in your hands. I can start right now. I have definitely more than 10 minutes of cross-examination if we're intending to adjourn at four o'clock today.

1244. **THE PRESIDING COMMISSIONER:** To be clear, how long do you think you will need today?

1245. **MS. TWYMAN:** I estimated about an hour. I might be an hour, maybe an hour and a half, depending on how it goes with the cross-examination.

1246. **THE PRESIDING COMMISSIONER:** Well, I think the preference would be then to start tomorrow morning rather than start today. I speak for myself. I don't have children in daycare and whatnot, but I know some of our staff have commitments that need them to be home at a certain time, so I think



that would be preferable. Thank you.

1247. **MS. TWYMAN:** Thank you, Mr. Chairman.

1248. **THE PRESIDING COMMISSIONER:** Anything further before we adjourn for the day?

1249. Mr. Roth?

1250. **MR. ROTH:** Sir, I was anticipating that things might move along a little bit quicker earlier in the day, so I made arrangements with the CAPP panel to go before the PETRONAS panel in the event that there's time for them tomorrow so as to accommodate PETRONAS on Wednesday rather than possibly going tomorrow. So CAPP witness panel is available and said they would go before PETRONAS.

1251. **THE PRESIDING COMMISSIONER:** Mr. Duncanson?

1252. **MR. DUNCANSON:** Yes, Mr. Chairman. I have no comments on that statement by Mr. Roth, but we were just conferring. With the Commission's permission, I'd like to speak with the NGTL witnesses this evening about cross-examination of the intervenors, given that the process seems to be moving along quite well. I will not speak with the witnesses about the content of their testimony, either today or tomorrow.

1253. **THE PRESIDING MEMBER:** I think what I'll do, if I may, is to leave it to Board counsel and yourselves to talk about scheduling and we'll intervene if there's a need to make a call, but typically, that's the kind of thing I would expect counsel would sort out.

1254. **MR. DUNCANSON:** Perhaps it wasn't clear, Mr. Chairman. It's just, typically, there's an obligation on behalf of counsel not to speak with witnesses when they're under oath.

1255. **THE PRESIDING MEMBER:** I'm sure your ethics are very clear on that. You don't need to clarify that.

1256. **MR. DUNCANSON:** Thank you.

1257. **THE PRESIDING MEMBER:** There being nothing further, we'll



adjourn til 9:00 a.m. tomorrow.

--- Upon adjourning at 3:53 p.m./L'audience est ajournée à 15h53