
**CAMPUS ENERGY PARTNERS SUFFIELD LP
APPLICATION FOR APPROVAL OF TOLLS AND TERMS AND CONDITIONS OF SERVICE
FOR THE NORTH SUFFIELD PIPELINE**

**FILE OF-TOLLS-GROUP2-C1017-2020-01
SECTIONS 32, 34, 226 AND 229 OF THE *CANADIAN ENERGY REGULATOR ACT*
FILED 26 JUNE 2020**

**ROCKPOINT GAS STORAGE CANADA LTD. ("ROCKPOINT"), PINECLIFF ENERGY LTD.
("PINE CLIFF") AND TORXEN ENERGY LTD. ("TORXEN") (THE "COMPLAINANTS")
RESPONSE TO INFORMATION REQUEST NO. 2 OF THE CANADA ENERGY REGULATOR**

December 1, 2020

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2.1 Capital Structure

- Reference:**
- (i) Rockpoint Gas Storage Canada Ltd. (Rockpoint), Pine Cliff Energy Ltd. (Pine Cliff) and Torxen Energy Ltd. (Torxen) - Written Evidence of the Complainants, PDF pages 28-29 of 39, C09222-2
 - (ii) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 26 of 39, C09222-2

Preamble:

In reference i), the Complainants state that the notional or deemed capital structure for the North Suffield Pipeline was assessed based on an examination of the regulatory capital structures of other similarly situated regulated assets.

Reference ii) states that Campus is not a standalone publicly traded company, and it is therefore appropriate to use a deemed capital structure for regulatory purposes rather than Campus' actual capital structure.

- Request:**
- (a) Explain why the “similarly situated” assets are good comparators. Include a description of the factors that the Complainants believe are most relevant to providing a comparable company's capital structure including size of the assets, whether or not the asset is owned by a utility and other factors that may be relevant.
 - (b) Explain the significance of a company being a standalone publicly traded company on its approved capital structure.

Response:

(a - b)

The Complainants believe that similarly situated assets identified in reference i) are good comparators to the North Suffield Pipeline as:

- They are regulated under a comparable regulatory framework to the North Suffield Pipeline
- They are physically located in the same geographic locations as the North Suffield Pipeline and are therefore subject to the same economic supply and demand factors as the North Suffield Pipeline
- They serve substantially similar types of users as are served by the North Suffield Pipeline

Campus' consolidated financial statements have been prepared using Canadian Accounting Standards for Private Enterprises, which do not require the same level of financial reporting disclosure that would be required if they were a standalone public company. Therefore, the Complainants were not able to have access to the types of disclosures that would normally be required for a public company in order to assess the capital structure that would be appropriate for the North Suffield Pipeline.

Campus in their submission indicated that they had extensively tested the debt markets when the assets were acquired from AltaGas. The

Complainants note that while the debt markets may have been tested, the financing package would have been based on Campus' consolidated assets and not on the North Suffield Pipeline alone, which is a highly creditworthy asset. Campus' consolidated assets contain assets that are less financeable than the North Suffield Pipeline and the financing package that was received would have taken the credit quality of Campus' other assets into consideration.

The Complainants requested additional information on Campus' other business in part to examine the credit quality of those assets vis-à-vis the North Suffield Pipeline. Campus refused to provide the disclosures requested.

The Complainants further note that a fair return is determined with reference to investments of similar risk. While the factors listed above relate to regulatory and business risk the rate of return on common equity also takes into consideration financial risk. The deemed equity ratio, therefore, is also relevant. That is why the Complainants made reference to other utility-like investments, their approved ROE's and equity ratios to the extent they could be ascertained.

The Complainants believe the range of fair returns identified in their evidence is still current as confirmed by the Ontario Energy Board's recent reduction in the approved ROE from 8.52% (2020) to 8.34% (2021). A link to the OEB's most recent Cost of Capital parameters is included below for the Commission's convenience. The parameters identified by the Complainants, therefore, are more consistent with the returns allowed on regulated investments of similar risk than those applied for by Campus. In that regard, please also see the response to Campus IR 1.6.

<https://www.oeb.ca/industry/rules-codes-and-requirements/cost-capital-parameter-updates>

2.2 Rockpoint Volumes

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 3 of 39, C09222-2
 - (ii) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 28 of 39, C09222-2

Preamble:

Reference i) states Rockpoint was a shipper on the North Suffield Pipeline pursuant to a transportation service agreement executed with AltaGas and that Rockpoint built a pipeline lateral to tie-in Rockpoint's Suffield Facility to the North Suffield Pipeline.

Reference ii) states that Rockpoint's business model makes it more difficult to contract for firm service.

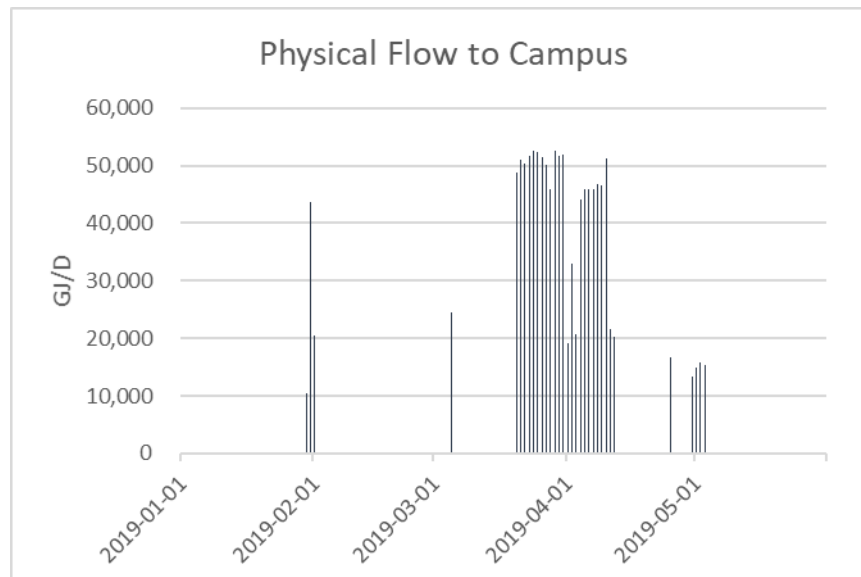
The Commission would like to understand how Rockpoint has used the North Suffield Pipeline in the past.

- Request:**
- (a) For each year from 2016-2020, how many days did Rockpoint ship on the North Suffield Pipeline?
 - (b) Provide the daily volumes shipped. If that information is commercially sensitive, provide a graph illustrating the changes in volume on a daily basis. Labels for the graph can be modified to reflect any commercial sensitivities.
 - (c) Describe the factors that influence any changes in volumes shipped.

Response:

(a - c)

Rockpoint did not ship on the North Suffield Pipeline in 2016-2018 or in 2020. Rockpoint delivered volumes to Campus for a total of 33 days in 2019. Deliveries totalled 1,226,692 GJs of gas during those 33 days.



Rockpoint sought to connect its Suffield storage facility to the North Suffield Pipeline as the connection would provide Rockpoint and

Rockpoint's storage customers with the option of delivering gas to either the AECO NIT market via NGTL or to Burstall via the North Suffield Pipeline. Rockpoint's connection cost \$1.1 million and became operational on January 29, 2019.

Rockpoint's physical connection with the North Suffield Pipeline was only designed to deliver gas from storage to the North Suffield Pipeline when the facility was physically withdrawing gas from storage. Typically, the Suffield facility withdraws gas from storage during the cooler fall and winter months and injects during the warmer spring and summer months. Rockpoint is not physically able to affect a "wheeling" transaction where gas is obtained from NGTL and delivered directly to the North Suffield Pipeline. From this perspective, Rockpoint is unable to enter into a firm service agreement as it would not be able to physically flow gas into the North Suffield Pipeline when Rockpoint or its customers are injecting gas into the Suffield facility. It would be impractical to enter into a firm service agreement if Rockpoint was not able to physically flow gas for a substantial portion of the year.

All the gas that is stored in Rockpoint's Suffield facility is delivered to the facility via the NGTL system on an IT-S toll. To the extent that Rockpoint does not deliver the gas back to the NGTL system, Rockpoint is beholden to NGTL to pay the IT-D toll on the volume of gas that entered Rockpoint's storage facility but does not return to the NGTL system.

Therefore, if the pricing for gas delivered at Burstall (the pricing point served by the North Suffield Pipeline) is greater than the cost of gas purchased at AECO NIT and physically injected into storage, plus the IT-D toll to NGTL, plus the IT toll to Campus there is an opportunity for Rockpoint or its storage customers to make a profit on that pricing dislocation, to the extent that that pricing differential is greater than the time spread to the upcoming winter. Rockpoint does not enter into speculative transportation or downstream transportation arrangements for gas held for its own account in its storage facilities.

Notwithstanding pricing conditions during 2018 and 2019, which were heavily impacted by curtailments on the NGTL system, it is typical for such pricing dislocations to occur on occasion during the winter when intra-provincial demand is low and downstream market demand is high.

During 2019, due to curtailments on the NGTL system, Rockpoint did not expect that its Suffield storage facility would receive gas from NGTL for a substantial portion of its typical injection season. Rockpoint had a volume of gas that had been purchased at AECO NIT and held in its storage facility. Due to pricing dislocations between AECO NIT and Burstall pricing, driven by curtailments on the NGTL system, Rockpoint expected to be able to recover its capital investment by selling its gas held in storage during curtailment periods on the NGTL system after

paying NGTL its toll and the agreed upon toll for deliveries to the North Suffield Pipeline under the TSA signed with AltaGas.

After Campus' termination of its TSA, Rockpoint did not deliver to the North Suffield Pipeline as there was no certainty with respect to the economics of those deliveries.

2.3 Pine Cliff Volumes

Reference: Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 4 of 39, C09222-2

Preamble: The reference states that Pine Cliff shipped dry, sweet natural gas on the North Suffield Pipeline pursuant to a Transportation Service Agreement (TSA) and has discontinued shipping on the pipeline. The Commission would like to understand how Pine Cliff has used the North Suffield Pipeline in the past.

Request:

- (a) For each year from 2016-2020, how many days did Pine Cliff ship on the North Suffield Pipeline?
- (b) Provide the daily volumes shipped. If that information is commercially sensitive, provide a graph illustrating the changes in volume on a daily basis. Labels for the graph can be modified to reflect any commercial sensitivities.
- (c) Describe the factors that influence any changes in volumes shipped.

Response:

- (a) Pine Cliff was a shipper on the North Suffield Pipeline for 0 days in 2016, 0 days in 2017, approximately 365 days in 2018, approximately 365 days in 2019 and 0 days in 2020.
- (b) Average daily Pine Cliff volumes shipped to the North Suffield Pipeline are shown in the table below:

Average Daily Volumes (e3m3/day)					
	2016	2017	2018	2019	2020
Jan	0	0	228.7	320.7	0
Feb	0	0	177.7	292.3	0
Mar	0	0	299.5	284.8	0
Apr	0	0	307.0	309.9	0
May	0	0	340.4	309.9	0
Jun	0	0	333.2	300.1	0
Jul	0	0	324.4	279.1	0
Aug	0	0	328.8	271.6	0
Sep	0	0	316.0	279.0	0
Oct	0	0	330.4	288.2	0
Nov	0	0	327.8	300.9	0
Dec	0	0	328.7	298.6	

- (c) Pine Cliff's natural gas volumes were subject to a third party marketing agreement upstream of the North Suffield Pipeline for the entire calendar years of 2016 and 2017 and as such Pine Cliff was not a shipper on the North Suffield Pipeline during this time.

In January, 2018 the above referenced third party marketing agreement was terminated providing Pine Cliff the ability to flow directly to the NGTL System or indirectly, using a third party pipeline, to the North Suffield Pipeline. On January 1, 2018 Pine Cliff entered into a Transportation Service Agreement ("TSA"; Attachment 2 to Pine Cliff Complaint A99968-1) with Campus to use the North Suffield Pipeline. While the combined transportation fees on the third party pipeline and the North Suffield Pipeline were higher than delivering directly to the NGTL System the premium Pine Cliff obtained on the natural gas price was in excess of the incremental fees. In conjunction with the signing of the TSA above, Pine Cliff signed a Firm Service Agreement ("FSA") for the third party pipeline used to connect Pine Cliff's volumes to the North Suffield Pipeline. The FSA expired on December 31, 2019 and included a minimum volume commitment.

As detailed in Pine Cliff's original complaint (A99968-1) Campus terminated the TSA on July 31, 2019 and replaced it with a much more onerous TSA which included much higher fees. The new TSA was signed under duress on July 30, 2019 in order for Pine Cliff to continue to meet the commitments under the third party FSA.

Pine Cliff discontinued shipping volumes to the North Suffield Pipeline on December 31, 2019 when the FSA expired and has not used the pipeline since due to uncertainty regarding the North Suffield Pipeline fees and onerous terms that were added to the new TSA that was signed under duress on July 30, 2019.

2.4 Torxen Volumes

Reference: Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 4 of 39, C09222-2

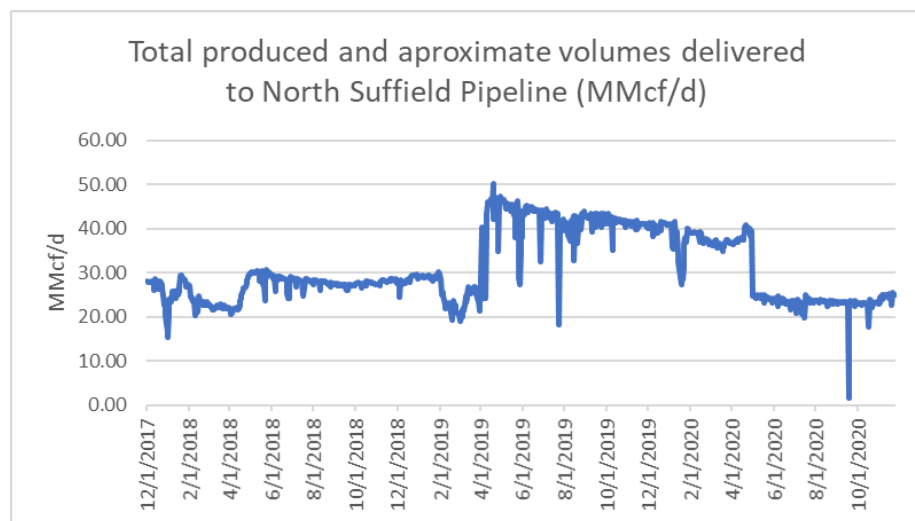
Preamble: The reference states Torxen ships natural gas on the North Suffield Pipeline pursuant to a TSA.

The Commission would like to understand how Torxen has used the North Suffield Pipeline in the past.

- Request:**
- (a) For each year from 2016-2020, how many days did Torxen ship on the North Suffield Pipeline?
 - (b) Provide the daily volumes shipped. If that information is commercially sensitive, provide a graph illustrating the changes in volume on a daily basis. Labels for the graph can be modified to reflect any commercial sensitivities.
 - (c) Describe the factors that influence any changes in volumes shipped.

Response: (a) Torxen acquired the Tide Lake, Princess East and West meter stations connected to the North Suffield Pipeline from Cenovus on December 7th, 2017 and believe we have shipped every day from then to the present.

(b) Torxen Daily Volumes:



- (c) Torxen only has the ability to deliver gas to Suffield North from our Tide Lake, Princess West, Princess East and Bantry gas facilities. The Bantry facility was only able to deliver gas to Suffield North as of April 2019 after a \$3.51 Million dollar capital investment to tie-in the gas. As of May 2020, we switched the delivery of gas back to the NGTL system

as we could receive a higher netback by selling at NIT versus delivering on the North Suffield Pipeline and selling at Empress.

Torxen's Tide Lake, Princess West and Princess East facilities only have the ability to deliver volumes to Suffield North. The volumes from those facilities as well as the Bantry facility (when Bantry is being directed to the North Suffield Pipeline) vary due to our drilling programs, winter freeze offs, decline rates from the wells, well issues, facilities issues, operating costs, transportation costs, and sales price.

2.5 Alternatives - Rockpoint

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 28 of 39, C09222-2
 - (ii) National Energy Board (NEB) Reasons for Decision RH-002-2014, PDF page 21 of 94, A71142-1
 - (iii) Rockpoint, Pine and Torxen - Written Evidence of the Complainants, PDF page 18 of 39, C09222-2

Preamble: Reference i) describes how each shipper would use the North Suffield Pipeline under different scenarios.

In reference ii) the NEB explains that effective competition exists when shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

Reference iii) describes challenges accessing the NOVA Gas Transmission Ltd. (NGTL) system.

The Commission would like to determine whether North Suffield shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

- Request:**
- (a) List all possible alternatives Rockpoint has to the North Suffield Pipeline.
 - (b) Describe the factors Rockpoint uses in considering each alternative.
 - (c) Is Rockpoint shipping gas on the NGTL system currently?
 - (d) Has Rockpoint shipped gas on the NGTL system in the past five years?
 - (e) Describe the nature of the challenges accessing the NGTL system, including their duration and whether the challenges are persistent or recurring.

Response: (a - e)
Rockpoint is currently connected to the NGTL system and primarily moves gas in and out of its storage facilities via NGTL's IT-S toll. The NGTL system is Rockpoint's only current alternative to the North Suffield Pipeline.

For storage activities Rockpoint does not ship gas via the NGTL system; rather it accesses volumes that come into and out of storage on the NGTL system. When Rockpoint holds its own gas in storage it is purchased at AECO NIT and sold at AECO NIT.

Rockpoint also engages in a gas marketing business serving industrial, SME and retail customers in Ontario, Alberta and British Columbia. This business is conducted through a subsidiary known as Access Gas

Services Inc. ("Access"). Access arranges for gas delivery services for its customers on a fixed price or index basis. Once a customer enters into a delivery contract with Access, Access secures firm transportation to the customer's site and secures physical volumes to be delivered. Access hedges price risk in the financial markets to secure a margin on a customer contract. Access does not engage in speculative transportation arrangements and does not contract for storage services with Rockpoint's storage facilities. Access and its customers do not have access to the North Suffield Pipeline as they do not physically store gas in the Suffield storage facility.

Rockpoint and its storage customers have faced significant difficulties getting deliveries of gas into its storage facilities over the past several years as curtailments on the NGTL system have impacted IT availability during the summer injection seasons in the EGAT region. Rockpoint has typically had issues receiving gas into storage but has not had issues delivering gas from storage on the NGTL system.

As described in response to CER 2.2, Rockpoint sought a connection that would provide a delivery alternative to NGTL depending on curtailments and to access a pricing point that is not available on the NGTL system. Rockpoint is not aware of another such alternative other than by utilizing the North Suffield Pipeline.

2.6 Alternatives – Pine Cliff

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 28 of 39, C09222-2
 - (ii) NEB Reasons for Decision RH-002-2014, PDF page 21 of 94, A71142-1
 - (iii) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 18 of 39, C09222-2

Preamble: Reference i) describes how each shipper would use the North Suffield Pipeline under different scenarios.

In reference ii) the NEB explains that effective competition exists when shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

Reference iii) describes challenges accessing the NGTL system.

The Commission would like to determine whether North Suffield shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

- Request:**
- (a) List all possible alternatives Pine Cliff has to the North Suffield Pipeline.
 - (b) Describe the factors Pine Cliff uses in considering each alternative.
 - (c) Is Pine Cliff shipping gas on the NGTL system currently?
 - (d) Has Pine Cliff shipped gas on the NGTL system in the past five years?
 - (e) Describe the nature of the challenges accessing the NGTL system, including their duration and whether the challenges are persistent or recurring.

- Response:**
- (a) Pine Cliff is directly connected to the NGTL System and is indirectly connected to the North Suffield System through a third party pipeline which Pine Cliff has no ownership in.
 - (b) As with most downstream marketing arrangements, maximizing the netback while minimizing risk are the main factors Pine Cliff considers.
 - (c) Yes. See response 2.3 c) above.
 - (d) Yes. See response 2.3 c) above.
 - (e) Pine Cliff is directly connected to the NGTL System and has no challenges accessing their system.

2.7 Alternatives – Torxen

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 28 of 39, C09222-2
 - (ii) NEB Reasons for Decision RH-002-2014, PDF page 21 of 94, A71142-1
 - (iii) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 18 of 39, C09222-2

Preamble: Reference i) describes how each shipper would use the North Suffield Pipeline under different scenarios.

In reference ii) the NEB explains that effective competition exists when shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

Reference iii) describes challenges accessing the NGTL system.

The Commission would like to determine whether North Suffield shippers have the ability to obtain comparable services at reasonable prices from alternative suppliers.

- Request:**
- (a) List all possible alternatives Torxen has to the North Suffield Pipeline.
 - (b) Describe the factors Torxen uses in considering each alternative.
 - (c) Is Torxen shipping gas on the NGTL system currently?
 - (d) Has Torxen shipped gas on the NGTL system in the past five years?
 - (e) Describe the nature of the challenges accessing the NGTL system, including their duration and whether the challenges are persistent or recurring.

- Response:**
- (a) Torxen currently does not have any immediate alternatives to the North Suffield Pipeline for our gas from the Tide Lake, Princess East and Princess West facilities. Since Torxen has acquired those facilities we have only flowed to North Suffield Pipeline and there is no active connection to any alternative system.

Torxen's Bantry facility is now connected to both the NGTL system and the Suffield North System. This connection to Suffield North required an investment by Torxen of \$3.51 Million and was put in service April 2019. We are currently not flowing any gas from the Bantry facility to the North Suffield Pipeline as all the Bantry facility gas is being directed to the NGTL system.

- (b) For Torxen's Bantry gas, as we have the option to flow to either NGTL or North Suffield Pipeline, we consider pipeline tolls, the

operational costs associated with flowing to either option as well as the ultimate sales price netback we would achieve.

- (c) Yes, for our Bantry gas Torxen is currently flowing on the NGTL system. For the Tide Lake, Princess East, Princess West for which Torxen only has the ability to flow to Suffield North, no. For all our remaining gas facilities, we are flowing to NGTL. Torxen's total sales volumes are ~260,000 GJ/d. The vast majority of Torxen's sales volumes flow to NGTL (~236,000 GJ/d or 91% of our gas). Only the gas for which Torxen has no alternative option is being sent to North Suffield Pipeline (~24,000 GJ/d or ~9%).
- (d) Yes.
- (e) For our Tide Lake, Princess East and Princess West facilities, we have explored connecting to NGTL. TC Energy has not provided a timeline for the estimated in-service date for the connections, but we anticipate at least one year from project sanction to in-service.

Each of these sites would need an engineering assessment to determine what scope of work is required to bring them on. The cost would be between \$15,000 and \$20,000 (rough estimates) just to complete the engineering assessment, then TC Energy would need to cost out the upgrades required. This process would take time and we would not be connected for likely multiple years. Below is a high-level summary of the current state of each station.

- a. Princess South #1327, Cenovus CSO, approximately 5 MMcf/d flowing through the meter.
 - i. Potentially significant mechanical and EI&C equipment required given the age of the site and when it last flowed.
- b. Iddesleigh South #1277, Torxen CSO, approximately 4 MMcf/d flowing through the meter.
 - i. Possibly some EI&C upgrades required. No analyzers or return run, so sweet gas would be preferred (sour would cost significantly more money for a conversation).
- c. Louisiana Lake #1366, Cenovus CSO. Approximately ~15 MMcf/d flowing through the meter.
 - i. Similar to Princess South, this site hasn't flowed in a while and could require significant equipment upgrades.

2.8 Interruptible premium

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 19 of 39, C09222-2
 - (ii) NEB Reasons for Decision, RH-003-2011 PDF page 145, A51040-1
 - (iii) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 37 of 39, C09222-2

Preamble: In reference i) the Complainants indicated that a 10% premium is appropriate for interruptible service.

In reference ii) the NEB discusses that “in a low load factor environment, there is little incentive for shippers to contract for firm service if the FT toll is similar to the toll for discretionary services because shippers can obtain flexibility of using the pipeline without committing for an entire year.

In the current circumstances of underutilization, users of discretionary services receive virtually guaranteed service whenever they need it, but pay for only a portion of the annual costs of the capacity, making it difficult for TransCanada to recover the costs of that capacity.”

Reference iii) states that without an adequate notice provision for adjustment of tolls in a TSA, a shipper will have no certainty with respect to the tolls it will be paying on the North Suffield Pipeline in any given month.

- Request:**
- (a) Did the Complainants receive virtually guaranteed service whenever they needed it on the North Suffield pipeline? What is the evidence that supports the answer provided? Discuss whether the principles and/or facts from RH-003-2011 would have application here.
 - (b) Discuss the appropriateness of a ten per cent premium under the current environment on the North Suffield Pipeline.
 - (c) Discuss the circumstances for each shipper (Rockpoint, Pine Cliff, & Torxen) that affect its ability to sign up for firm service.
 - (d) If the North Suffield pipeline offered a reasonable cost-based toll for firm service on one year terms, and had discretion in setting rates for interruptible services, how would this impact the Complainants’ use of the pipeline?

Response: (a)

Rockpoint

As discussed in response to CER IR 2.2, Rockpoint has only shipped for 33 days since its connection was completed. As noted, the nature of Rockpoint's potential requirements are more consistent with

interruptible rather than firm service. In that limited sample of Rockpoint's past use there were no instances of service interruption. Rockpoint cannot comment as to whether service has been virtually guaranteed with its limited exposure to delivering to the North Suffield Pipeline but can confirm its requirements would not be quasi-firm use at relatively consistent daily levels.

Torxen

Torxen does not believe we received a virtually guaranteed service. In fact, when the Empress to AECO premium was wide, Torxen was quite concerned there would not be enough capacity on the North Suffield Pipeline and had commenced discussions with AltaGas for firm service. AltaGas was in the midst of the disposition to Campus and declined to finalize the discussions. Shortly after Campus acquired the line, they proposed Firm and IT Service rates that are not just and reasonable.

Pine Cliff

Pine Cliff does not believe it received a virtual guaranteed service but was actively engaged in firm service discussions with AltaGas prior to the disposition to Campus and with Campus after the transfer of the Suffield Pipeline.

- (b) The Complainants believe that a 10% IT premium is appropriate based on the IT premium that was in place when TSA's were signed with AltaGas and which Campus advised the NEB and parties that it did not plan to change. A 10% IT premium is also reflective of the IT premium on the NGTL system. From Campus' response to CER IR 1.5, they note the IT cost relative to the shortest available firm service. A higher IT premium would drive excess return for the North Suffield Pipeline relative to a reasonable return as determined by an appropriately applied cost of service methodology. While it may discourage a shipper with true firm requirements from utilizing interruptible service, it would also discourage interruptible use by shippers with true interruptible requirements.

	IT	1 year	1-3 year	3-5 year	> 5 year
NGTL Princess Receipt*	\$ 0.134	\$ 0.128	\$ 0.123	\$ 0.117	\$ 0.112

	IT	1-2 year	3-4 year	> 5 year
NGTL Empress Delivery*	\$0.205	\$0.187	\$0.178	\$0.169

* posted tolls as of May 1, 2019 (including abandonment surcharge)

<http://www.tccustomerexpress.com/2766.html>

(c)

Rockpoint

As further discussed in response to CER IR 2.2, due to the physical limitations of the connection design with the North Suffield Pipeline and Rockpoint's facilities and due to the economic opportunities the connection was meant to capture, Rockpoint does not foresee a market condition that would allow it to subscribe for firm service.

Torxen

In the current environment, given that Torxen has no near term ability to send our Tide Lake, Princess East and Princess West gas to an alternative system, Torxen is effectively captive to the North Suffield Pipeline even if Torxen flows on an IT basis. A 10% IT premium is a just and reasonable premium when compared to alternative meter stations where Torxen can only deliver to an NGTL meter station as the tariff discount is ~14% for a three-year firm service agreement versus IT rate.

For the Torxen volumes that have to flow on the North Suffield Pipeline, Torxen would look to take out firm service for 3 years or less on 50% of our forecast volumes. This is a similar approach that Torxen applies for our volumes that flow on the NGTL system. Given the variables involved in forecasting our production profile (decline rate, drilling of new wells, operational issues, etc.), we are not comfortable signing up for a fixed cost for a longer duration than we have the ability to forecast. Unfortunately, under AltaGas the minimum firm service agreement was 5 years which is a longer term than Torxen is willing to contract. Torxen was seeking to enter a two year firm service with AltaGas; however, they were engaged with the divestiture of the North Suffield Pipeline and therefore would not entertain discussions on the subject. The Campus proposed firm rates are not just and reasonable.

Pine Cliff

Pine Cliff was ready, willing and able to sign up to a five year firm service on the North Suffield Pipeline with both AltaGas prior to the disposition and also with Campus upon completion of the transfer of the North Suffield Pipeline, but uncertainty regarding the fee imposed in the new TSA combined with much more onerous terms and conditions that Campus requested prevented the execution of an agreement.

(d)

Rockpoint

Allowing discretion in setting rates for interruptible services for Rockpoint would create a condition where the hurdle rate to dispatch to the North Suffield Pipeline had the potential to constantly change. This would limit volumes that could be shipped as Rockpoint would not be able to enter into any kind of forward sale arrangements and would be limited to making a dispatch decision on the day. The result would be lower utilization and lower IT toll revenues for the pipeline than if a known, predictable toll was adopted.

Torxen

Torxen would consider a one-year firm service contract and would likely sign up for a volume Torxen was highly confident we would be able to deliver. Torxen would therefore always look to flow the balance of its production volume on IT. Therefore, a reasonable and predictable IT rate is also required as the effective total (firm and IT) transport cost would need to be considered. Torxen would potentially flow our Bantry volumes back to North Suffield Pipeline if the effective combined toll was reasonable.

Pine Cliff

Pine Cliff would consider a one year firm service option depending on the fee imposed and/or any additional restrictions that may be required.

2.9 Allocation of Operating and General & Administrative costs

Reference: Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 21 of 39, C09222-2

Preamble: The reference i) proposes that operating and general and administrative costs are incurred based on the volumes shipped, and that it is more appropriate to allocate these costs based on the relative ratio of volume transported on the North Suffield Pipeline to the volume transported on the South Suffield Pipeline.

Request: List the components of operating and general & administrative costs. Identify and describe how the costs are related to throughput.

Response: The components of operating and general and administrative costs are listed in Campus filing Appendix B, Schedules 1.1 and 1.2.1.

The operating costs and general and administrative costs relate to the costs of operating and administering the Suffield Pipeline System and require allocation between the North Suffield Pipeline and the South Suffield Pipeline.

The operating costs primarily relate to salaries and wages, safety and environmental and repairs and supplies. As the Suffield Pipeline does not have compression facilities most of these costs are relatively fixed and would likely not vary substantially with volumes of gas transported.

Likewise, the general and administrative costs primarily relate to salaries and wages, consulting costs and office and IT costs. These costs are incurred by Campus on their consolidated assets and allocated to the Suffield Pipeline and then further allocated between the North Suffield Pipeline and the South Suffield Pipeline. As with operating costs these costs are relatively fixed and would likely not vary substantially with volumes of gas transported.

Campus has proposed to allocate these costs based on the ratio of available capacity between the North Suffield Pipeline (190 Mmcf/d) and the South Suffield Pipeline (175 Mmcf/d).

Allocating based on available capacity allocates more costs to the North Suffield Pipeline than the South Suffield Pipeline, which in our view creates a cross subsidization of costs between the North Suffield Pipeline and the South Suffield Pipeline as the South Suffield Pipeline transports the majority of the volume of the Suffield Pipeline system. As noted in the Complainants' evidence, allocating these costs based on relative actual use (throughput) results in a fairer allocation of costs than based on capacity as between the North and South Suffield Pipelines.

2.10 Interruptible Preferred Service

- Reference:**
- (i) Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF page 36 of 39, C09222-2
 - (ii) NEB Reasons for Decision, RH-1-2007. PDF page 33 of 59, A16008-1
 - (iii) NEB Reasons for Decision, RH-002-2017, PDF page 13 of 16, A84788-1

Preamble: In reference i) the Complainants submitted that “the introduction of ITp represents a material change in the service offered on the North Suffield Pipeline. This is particularly the case for IT service shippers, who will be prejudiced in their ability to utilize the North Suffield Pipeline by the new priority service, which will further erode the value of IT service.” It goes on to say that Campus has not provided sufficient information to objectively justify the significant difference in prices between ITp and IT services.

Reference ii) states, “All tolls must be just and reasonable, and shall always, under substantially similar circumstances and conditions with respect to all traffic of the same description carried over the same route, be charged equally to all persons at the same rate, and no toll shall result in unjust discrimination. However, the [NEB] has wide discretion in choosing the method to be used by it and the factors to be considered by it in assessing the justness and reasonableness of tolls.”

In reference iii) the NEB found that “...Herbert LTFP service represents a different kind of traffic than that of FT service, including attributes such as the 10-year contract term and the lack of alternate receipt point and diversion rights. For these reasons, the [NEB] accepts that Herbert LTFP can attract a different toll than FT service without offending the prohibition against unjust discrimination.”

- Request:**
- (a) Describe how shippers with interruptible service would be prejudiced with the introduction of Interruptible Preferred Service.
 - (b) Discuss the service’s attributes that supports this position.
 - (c) Discuss whether references ii) and iii) have application to the issues raised by the Complainants, including the introduction of Interruptible Preferred Service.

Response: (a - c)
Interruptible Preferred Service (“ITp”) as the name suggests is a superior service given the priority it enjoys relative to Interruptible Service (“IT”). The interposition of a “preferred” service diminishes the value of the IT service relative to the former IT service which suggests the toll should be lower than the toll charged for IT service in the past.

Fundamentally, however, the primary attribute of interruptible service, unlike firm service, is the fact it may be interrupted at the discretion of the pipeline operator. Both ITp and IT are interruptible.

How a shipper may qualify for a service is different than the pipeline service itself. That fact may influence the value of the related service to which ITp is attached. For example, the value of that service should reflect the fact a valuable attribute has been added that did not exist before. The only meaningful distinction between ITp and IT services themselves though, unlike the Herbert LTFP relative to standard TCPL FT service offered at the time, is that ITp enjoys a higher priority of service than IT.

For these reasons, the Complainants believe the IT toll should be reduced below the level of the pre-existing IT toll and should also be priced at a meaningful discount to ITp.

2.11 Force Majeure Events

- Reference:** Rockpoint, Pine Cliff and Torxen - Written Evidence of the Complainants, PDF pages 37-38 of 39, C09222-2
- Preamble:** The reference states that the Articles do not clearly contemplate or outline the interplay between upstream/ downstream force majeure events on interconnected pipelines that may impact supply or delivery on the system and that are beyond the control of the shipper. If no relief is provided to a shipper in such cases, while the Transporter is insulated from associated risks pursuant to Article 5.7, there may again arise an unreasonable imbalance in the Campus TSA.
- Request:**
- (a) If these articles were to remain in the tariff, what additional wording would be required to address the concerns regarding force majeure events?
 - (b) Explain why it is appropriate for a pipeline to assume the risks of upstream and downstream force majeure events on other pipelines the shippers elect to use.
- Response:** (a-b)
The Complainants are concerned with the fact that Campus is proposing to ensure that shippers assume the total risk of supply or market failures, and that Campus is completely insulated from such risks. The Complainants position is not that Campus assume all risks of such force majeure events, but that a sharing of those risks as between the carrier and shippers would be just and reasonable. This is particularly the case where the pricing mechanisms in articles 5.4 [Failure of supply] and 5.5 [Failure of market] heavily favour Campus and are punitive to a shipper.