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June 25, 2015

Via Email
Original via Mail

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Energy Inc. (FEI)

Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1

On May 20, 2015, FEI filed the Reconsideration Application referenced above. In accordance with Commission Order G-94-15 setting out the Regulatory Timetable for the review of the Reconsideration Application, FEI respectfully submits the attached response to CEC IR No. 1.

If further information is required, please contact Michelle Carman, Manager, Cost of Service at (604) 592-7458.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties (e-mail only)

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 1

1 **1.0 Reference: Exhibit B-1, Page 5 and Exhibit B-1, Original Application, Appendix**
2 **C, Draft Order**

7 The principle arising as a result of the Balancing Gas Decision is that a rate design review of the
8 Monthly Balanced Transportation Service should proceed earlier than FEI's Comprehensive
9 Rate Design Application and that this "would allow impacted stakeholders to participate more
10 effectively".⁴ However, the reasonableness of this approach was not explored in the Original
11 Proceeding.

12 The purpose of the Original Proceeding as articulated in FEI's May 13, 2014 application was
13 narrow. FEI was seeking a modest increase of FEI's Monthly Balancing Gas service charge to
14 address a market condition. Although questions were raised during the Original Proceeding
15 about other service offering options, FEI stressed that such broader issues were more
16 appropriate for the next rate design application.⁵ However, the scope and timing of the next rate
17 design application, the inter-dependence of the Monthly Balancing Gas Application and the
18 Comprehensive Rate Design Application, and the impacts of changing one rate design
19 component on other rate design components and service options were not at issue in the
20 Original Proceeding and were thus not explored. Because FEI did not have the opportunity or
21 reason to address the interrelationship between the Monthly Balanced Transportation Service
22 and the contemplated Comprehensive Rate Design in the Original Proceeding, FEI submits that
23 the Commission should reconsider the reasonableness of the direction that orders FEI to
24 prepare and review the Monthly Balancing Gas Application separately from, and prior to, the
25 Comprehensive Rate Design in light of evidence and submissions of FEI. FEI further submits
26 that the timing for the preparation and review of the Monthly Balancing Rate Design Application
27 should be aligned with the timing of the Comprehensive Rate Design Application.

3 **WHEREAS:**

- A. On November 30, 2000, by Order G-110-00, the British Columbia Utilities Commission (the Commission) set (among other charges) the Balancing Charge for Rate Schedules 23, 25 and 27 to be based on the average for the month of the Sumas Daily Price, and directed that FEI address the appropriate level for the Balancing Charge in the 2001 Rate Design Application (2001 RDA);
- B. On November 7, 2011, by Order G-116-01, the Commission approved the Negotiated Settlement Agreement in the 2001 RDA, which made no changes to the Balancing Charge, and invited FEI to bring forward proposals for change should it be demonstrated that the services provided were being used in an inappropriate manner;
- C. On November 26, 2009, by Order G-141-09, the Commission accepted the Negotiated Settlement Agreement as approved, which included (among other things) Rate Schedule 26 NGV Transportation Service, effective January 1, 2010, and set the Charges, including the Balancing Charge, to be based on the average for the month of the Midpoint Price;
- D. On May 9, 2014, FEI applied to the Commission for approval to increase the existing Charge per Gigajoule (GJ) of Balancing Gas supplied in Rate Schedules 23, 25, 26 and 27, to the Sumas Daily Price Average for the Month plus \$0.10 per GJ, effective January 1, 2015 (the Application);

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 2

1 1.1 Did FEI raise the issue of the reasonableness of the approach in applying for a
2 rate change separate and prior to the December, 2016 Comprehensive Rate
3 Design Application in its original application?
4

5 **Response:**

6 No, the scope of the original proceeding was rather limited. As described in FEI Final Argument
7 Submission in the original application proceedings (paragraph 2, page 1):

8 *“In this Application, FEI is not seeking any change to the basic design for the Balancing*
9 *Gas service it currently provides under the Applicable Rate schedules. Rather, it*
10 *focuses on addressing a potential price arbitrage situation through a price signal to FEI’s*
11 *transportation customers...”*

12 Since FEI was not proposing any changes to the fundamental rate design, FEI believed that the
13 proposed increase of \$0.10 per GJ to the rate was reasonable and within the guidelines of the
14 existing principles that had been established for balancing service.

15
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18 1.1.1 If not, why not?
19

20 **Response:**

21 Please refer to the response to CEC IR 1.1.1.
22
23

24

25 1.1.1.1 If not, was the reasonableness of applying for a rate change
26 outside of an RDA presumed to be within established
27 principles? Please explain.
28

29 **Response:**

30 Please refer to the response to CEC IR 1.1.1.
31
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FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 3

1 1.1.2 If yes, please provide references to FEI’s viewpoints expressed in the
2 original application regarding the application for a rate change prior to
3 an RDA.

4
5 **Response:**

6 Please refer to the response to CEC IR 1.1.1.

7
8

9
10 1.2 Please confirm that in its Application and specifically in the Draft Order, FEI relied
11 upon BCUC Order G-116-01 in which FEI was invited to bring forward proposals
12 for change should it be demonstrated that the services provided were being used
13 in an inappropriate manner.

14
15 **Response:**

16 Confirmed. In recital (B) of the Draft Order prepared by FEI for the Application for Approval to
17 Amend the Balancing Charges for Rate Schedules 23, 25, 26 and 27, FEI referenced Order G-
18 116-01, which invited FEI to bring forward proposals for change if FEI can demonstrate that the
19 services provided were being used in an inappropriate manner and a change is justified.

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23 1.2.1 If not confirmed, please explain why not.

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25 **Response:**

26 Please refer to the response to CEC IR 1.1.2.

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30 1.3 Please discuss FEI’s views as to whether or not the Commission’s invitation of a
31 proposal for change only contemplated narrow adjustments or if the Commission
32 provided for wider latitude.

33



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 4

1 **Response:**

2 Order G-116-01 (and Appendix 1 attached to the Order) provides that “[if] the services provided
3 are being used inappropriately, proposals for changes can be made at that time.” The order
4 and the attached Appendix 1 do not expressly state the scope of the changes. Thus, FEI
5 declines to speculate on what the Commission may or may not have intended with respect to
6 the scope of the changes. However, FEI can and will bring forward any application to the
7 Commission for review if the Company believes that a change is justified.

8
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11 1.4 Please confirm that FEI anticipated that the Commission would address its
12 requested change in the original application prior to the Comprehensive rate
13 design application.

14

15 **Response:**

16 Confirmed. However, since the request in the original application was denied, FEI believes that
17 the more efficient way of addressing rate design issues for the monthly balancing gas service is
18 along with the Comprehensive Rate Design Application that is coming in the near term. Please
19 also refer to the response to CEC IR 1.1.8.

20

21

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23 1.4.1 If not confirmed, please explain why not.

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25 **Response:**

26 Please refer to the response to CEC IR 1.1.4.

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30 1.5 Please confirm or otherwise clarify that FEI would have implemented the
31 proposed change prior to the Comprehensive Rate Design had it been approved.

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FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 5

1 **Response:**

2 Confirmed.

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6 1.6 Please confirm or otherwise clarify that FEI did raise an issue with respect to the
7 possible misuse of the services in its original application, and that the
8 Commission did address FEI's proposal for change prior to a rate design
9 application.

10

11 **Response:**

12 Confirmed. The Commission, however, denied FEI's proposal and ordered FEI to file a rate
13 design application for the balancing gas service separate and prior to the Comprehensive Rate
14 Design Application that is being considered. This aspect of the Commission order is the subject
15 of this reconsideration application.

16

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19 1.7 Please confirm that the proposed rate change in the original Application was
20 designed to modify certain customer behaviour.

21

22 **Response:**

23 Confirmed. The original Application for Approval to Amend the Balancing Charges for FEI Rate
24 Schedules 23, 25, 26 and 27 filed on May 13, 2014 sought to increase the Monthly Balancing
25 Gas charge in order to modify certain behavior of Shippers and/or Shipper Agents and remove
26 the potential for price arbitrage.

27

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30 1.7.1 If not confirmed, please explain why not.

31

32 **Response:**

33 Please refer to the response to CEC IR 1.1.7.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 6

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4 1.8 Are rates and rate changes which are designed to modify customer behaviour
5 appropriately considered elements of rate design? Please explain why or why
6 not.

7

8 **Response:**

9 Rates or changes to rates put in place intended to achieve modifications in customer behavior
10 (if necessary and if justified) may be considered elements of rate design.

11 As described in the original application, the price premium proposed by FEI was intended as a
12 straightforward and simple approach that would not have required amendments to the service or
13 have rate design implications for other Rate Schedules and Transportation Service in general.
14 In this regard, the proposed approach would have served as a reasonable interim approach until
15 further examination of Balancing Gas service was to be conducted as part of the forthcoming
16 Comprehensive Rate Design Application. CEC supported the proposed approach in the original
17 application as shown in the final argument filed on September 11, 2014 (page 7):

18 *“CEC submits that a \$0.10 per GJ premium is acceptable, particularly that it is clear that*
19 *the intent of the tariff is to use balancing gas as a last resort, and accordingly the cost of*
20 *the service for unintentional use should be infrequent... The CEC recommends that the*
21 *Commission approve the tariff as filed... The CEC recommends that the Commission*
22 *request FEI to address the issue of a Balancing Gas service in the next RDA”*

23

24

25

26 1.9 Are there other instances in which the Commission has addressed issues of
27 rates and rate design prior to a comprehensive RDA at the request of the Utility
28 or at the Commission’s own instigation?

29

30 **Response:**

31 This response also addresses CEC IR 1.1.9.1.

32 Yes, FEI and the Commission have addressed issues of rates and rate design outside of a
33 comprehensive RDA. It is important to note that the request in this Reconsideration Application
34 is to align the timing of the review of monthly balancing with the comprehensive RDA which is
35 also occurring in the near term.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 7

- 1 Prior to the 2012 FEI rate design in support of common rates of the FEI amalgamated utilities,
 2 the last FEI Rate Design was in 2001. It was necessary for the various applications, listed in the
 3 table below, to be dealt with outside of a comprehensive Rate Design.
- 4 The following table provides examples of rates and rate design considerations that have been
 5 reviewed outside of a comprehensive RDA:

Topic	BCUC Order(s)	Summary
Commodity Unbundling (2003-2007)	L-14-03, G-90-03, G- 25-04, C-6-06, G- 152-06, G-40-07	Approval of changes to the program for Commercial customers and creation of program for Residential customers, including program rules, Terms and Conditions, Code of Conduct, assignment of costs, project costs, and revisions to Rate Schedules
Extension Policies (2007 – 2008)	G-152-07 and G-6-08	Amendments to extension policies and relevant sections of the Terms and Conditions
Liquefied Natural Gas Rate Schedule (LNG) and Dispensing Service (2009)	G-65-09	Creation of pilot Rate Schedule 16 for LNG Service
Natural Gas for Transportation (2010 – current)	G-128-11, G-165-11A and various orders for fueling stations	Approval of General Terms and Conditions Section 12B, approval of fueling station agreements, rates and rate design
Renewable Natural Gas (Biomethane) (2010 – current)	G-194-10, G-210-13, G-101-14	Approval of Rate Schedules, amendments to Terms and Conditions and allocation of costs

6

7

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9

10 1.9.1 If yes, please provide an illustrative list of such instances.

11

12 **Response:**

13 Please refer to the response to CEC IR 1.1.9.

14

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17 1.10 Please provide FEI's view of "impacted stakeholders" that might be enabled to
 18 participate more effectively, and include the number of these stakeholders.



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 8

1

2 **Response:**

3 This response also addresses CEC IR 1.1.11.

4 The term “impacted stakeholders” from the question preamble is a direct quote from the
5 Commission and can be found on page 22 of the Decision accompanying Order G-187-14. FEI
6 cannot speculate on the number of stakeholders that the Commission considered to be
7 impacted when they made this statement and on what the Commission may have had in mind
8 with regard to the ability of stakeholders to participate more effectively. Please refer to the
9 response to BCUC IR 1.3.5 for a discussion on how the Comprehensive Rate Design
10 Application could be structured to address stakeholders that are only interested in monthly
11 balancing.

12 With regard to the regulatory process, FEI believes that all stakeholders will be able to
13 participate effectively whether or not monthly balancing gas service is reviewed separately or as
14 part of the Comprehensive Rate Design Application, as long as the preparation and regulatory
15 review of the monthly balancing gas are coordinated with that of the Comprehensive Rate
16 Design Application.

17

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20 1.11 Please provide FEI’s view as to why these stakeholders would or would not be
21 able to participate more effectively than if the rate design were undertaken during
22 the Comprehensive Rate Design Application.

23

24 **Response:**

25 Please refer to the response to CEC IR 1.1.10.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 9

1 **2.0 Reference: Exhibit B-1, Pages 5 and 6**

7 The principle arising as a result of the Balancing Gas Decision is that a rate design review of the
8 Monthly Balanced Transportation Service should proceed earlier than FEI's Comprehensive
9 Rate Design Application and that this "would allow impacted stakeholders to participate more
10 effectively".⁴ However, the reasonableness of this approach was not explored in the Original
11 Proceeding.

12 The purpose of the Original Proceeding as articulated in FEI's May 13, 2014 application was
13 narrow. FEI was seeking a modest increase of FEI's Monthly Balancing Gas service charge to
14 address a market condition. Although questions were raised during the Original Proceeding
15 about other service offering options, FEI stressed that such broader issues were more
16 appropriate for the next rate design application.⁵ However, the scope and timing of the next rate
17 design application, the inter-dependence of the Monthly Balancing Gas Application and the
18 Comprehensive Rate Design Application, and the impacts of changing one rate design
19 component on other rate design components and service options were not at issue in the
20 Original Proceeding and were thus not explored. Because FEI did not have the opportunity or
21 reason to address the interrelationship between the Monthly Balanced Transportation Service
22 and the contemplated Comprehensive Rate Design in the Original Proceeding, FEI submits that
23 the Commission should reconsider the reasonableness of the direction that orders FEI to
24 prepare and review the Monthly Balancing Gas Application separately from, and prior to, the
25 Comprehensive Rate Design in light of evidence and submissions of FEI. FEI further submits
26 that the timing for the preparation and review of the Monthly Balancing Rate Design Application
27 should be aligned with the timing of the Comprehensive Rate Design Application.

28 FEI notes that it does not object to filing the Monthly Balancing Rate Design Application as a
29 separate component of the Comprehensive Rate Design or as a separate application along with
30 the Comprehensive Rate Design.

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7 The Monthly Balancing Rate Design should proceed at the same time as the Comprehensive
8 Rate Design because the two rate designs are interrelated. Specifically, the Monthly Balancing
9 Gas service is part of FEI's Transportation Service that will be reviewed as part of FEI's
10 Comprehensive Rate Design Application and the Monthly Balancing Gas service has
11 implications for, and can be impacted by, broader rate design decisions in the Comprehensive
12 Rate Design Application.

13 In this subsection, FEI will first discuss the Monthly Balancing Gas service in the context of
14 FEI's service offerings, followed by a discussion of the potential impacts of the Comprehensive
15 Rate Design Application on the Monthly Balancing Gas service.

4

5 2.1 Please elaborate on why the utility's commitment to or acceptance of filing the
6 Monthly Balancing Rate Design Application as a separate application from the
7 forthcoming rate design application would be reasonable in light of the
8 interrelationships with FEI's Transportation Service.



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 10

1

2 **Response:**

3 Please refer to the responses to BCUC IRs 1.3.1 and 1.3.3. FEI expects that if filed as a
4 separate application, the review process and Commission decision for monthly balancing would
5 need to lag the Comprehensive Rate Design Application to address the interrelationships with
6 FEI's Transportation Service. As stated in the Reconsideration Application, the Monthly
7 Balancing Gas Rate Design would be addressed in the context of the Comprehensive Rate
8 Design.

9

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12 2.2 Is part of the rationale for extending the time for the Monthly Balancing Gas Rate
13 Design related to the time required to review the Monthly Gas Rate Design?
14 Please explain.

15

16 **Response:**

17 No, as articulated in the Reconsideration Application (Section 4), the rationale for extending the
18 time for the Monthly Balancing Rate Design is primarily driven by the interrelationship with the
19 Comprehensive Rate Design Application and is supplemented by efficiency and avoidance of
20 wasted expenditures. Thus, FEI believes coordination of the two rate design applications would
21 be beneficial and efficient. For example, the determination of whether or not Monthly Balancing
22 Gas service should continue is a matter that will be considered and determined in the context of
23 the Comprehensive Rate Design. As such, there is a risk that an earlier application for separate
24 Monthly Balancing Gas Rate Design may be irrelevant if the service is ultimately discontinued
25 shortly thereafter.

26 Further, as noted on page 10 of the Reconsideration Application, FEI would have to engage
27 contract resources to meet the December 1, 2015 timeline if required.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 11

1 **3.0 Reference: Commission Decision, December 1, 2014; FEI Balancing Charges**
2 **(Order G-187-14), Page 22**

The Panel determines that the rate design review of Monthly Balanced Transportation Service is necessary and that this process should be a separate process from that of the broader rate design application directed in Commission Order G-21-14. FEI is directed to file a rate design application on Monthly Balanced Transportation Service by no later than one year from the date of the order accompanying this decision.

FEI is directed to include, among other matters it considers important, a review or discussion of the following items for consideration in the rate design review regarding Monthly Balanced Transportation Service:

- The ongoing need for continuing to offer Monthly Balanced Transportation Service and the value of providing such service;
- The appropriate Balancing Charge to incent the appropriate behaviour across a range of market conditions;
- The appropriate rate design mechanism to incent the appropriate behaviour not just at month-end but during the month as well;
- The cost to the core customers of providing Monthly Balanced Transportation Service including both the instance where core resources are used to compensate for a positive imbalance as well as for a negative imbalance in a Monthly Balanced Transportation Service account;
- The need for setting out imbalance tolerances in the tariff, whether these tolerances should apply to both positive and negative imbalances and including a review of the practices of other utilities in the region; and
- A review of the costs and benefits of the use of daily balanced transportation service in order to determine the applicability of this service for customers currently on Monthly Balanced Transportation Service and the impact of the two services on each other.

3
4 3.1 Please provide an overview of the process required to complete a
5 comprehensive review of the Monthly Gas Balancing rate design.

6
7 **Response:**

8 A comprehensive review of the Monthly Gas Balancing rate design would include, but may not
9 be limited to:

- 10 • Issue review and identification of options and alternatives;
- 11 • Testing of options and alternatives;
- 12 • Identification of potential impacts on other aspects of rate design;
- 13 • Stakeholder consultation;
- 14 • Development of recommendations and proposals;
- 15 • Application drafting; and
- 16 • Regulatory review process.



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 12

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3.2 Please provide an overview of the time required to complete a comprehensive review of the Monthly Gas Balancing rate design, and provide timeframes for key activities.

Response:

FEI anticipates that in order to achieve a filing date of December 1, 2015, FEI's work on a stand-alone monthly balancing application would need to commence by mid-August. FEI expects that a three month regulatory review process inclusive of one round of Information Requests, followed by either written submissions or a streamlined review process.

3.3 Please provide an estimate of the cost required to complete the review of the Monthly Gas Balancing rate design by the December 2015 deadline.

Response:

FEI estimates approximately \$100 thousand in cost to achieve a filing date of December 1, 2015 for a stand-alone Monthly Gas Balancing Rate Design Application. As described on page 11 of the Reconsideration Application, it is important to note that although the costs may not be significant, these costs may be incurred for a service that could be discontinued within a short time frame.

Please note that this does not include potential costs associated with the regulatory review process.

3.4 Please provide an estimate of the cost required to complete the review of the Monthly Gas Balancing rate design in the comprehensive RDA with the December 2016 deadline.



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 13

1 **Response:**

- 2 As described on page 11 of the Reconsideration Application, FEI estimates that there would be
- 3 zero incremental costs if the monthly balancing gas service was reviewed as a component of
- 4 the Comprehensive Rate Design Application.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 14

1 **4.0 Reference: Exhibit B-1, Pages 10 and 11**

21 **4.2 *EFFICIENCY AND AVOIDANCE OF WASTED EXPENDITURES***

22 Aligning the timing of the preparation and review of the Balancing Gas issues with the overall
23 rate design will be more efficient and will avoid the potential for wasted expenditures.

24 FEI has planned its resources in order to support the filing of the Comprehensive Rate Design
25 Application by the end of 2016. This includes the creation of a project team and the sourcing of
26 external consultants to support the Comprehensive Rate Design Application. The nature of the
27 work planned to occur in 2015 is related to scoping (issue identification) and planning,
28 development and review of initial cost of service allocation study results, preliminary analysis of
29 the various supporting studies and preliminary investigations into customer segmentation, rate
30 design alternatives and options. Recommended positions on rate design alternatives and
31 corresponding impacts on the rate schedules, the FEI General Terms and Conditions as well as
32 supplemental or auxiliary services are planned to occur in the early part of 2016. As such, the
33 review of Monthly Balancing Gas service would occur in the latter part of 2015 carrying over into
34 2016.

35 If the Monthly Balancing Gas Rate Design Application is to be filed in December 2015, then FEI
36 will have to re-organize its priorities and resources. However, as FEI's available resources from
37 Gas Supply and Regulatory groups are and will be focusing on various other initiatives in 2015,
38 FEI will have to engage contract resources to meet the December 1, 2015 deadline. Additional

1 costs will therefore be associated with a separate Monthly Balancing Gas Rate Design
2 Application including the costs of external consultants and the consultation process.

3 The forecast cost of the Comprehensive Rate Design Application is \$2.5 to \$3.0 million and is
4 inclusive of a review of the supplemental terms and conditions and services provided under
5 each transportation rate schedule. If a separate Monthly Balancing Gas Rate Design Application
6 is filed well in advance of the Comprehensive Rate Design Application, it is expected that the
7 forecast cost of the Comprehensive Rate Design Application will not change or be reduced
8 because the Balancing Gas service will need to be reviewed again in conjunction with all other
9 recommendations and changes.

2

3 4.1 Please describe the types of services that external consultants would be required
4 to supply to meet the December 1, 2015 deadline.

5

6 **Response:**

7 FEI expects that support from contract resources would include, but would not be limited to,
8 jurisdictional comparisons, alternatives analysis, and application drafting should the application
9 be required to be filed by December 1, 2015.

10

11

12

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 15

1 4.2 Please provide an estimate of the incremental costs that will be incurred to
2 engage contract resources to meet the December 1, 2015 deadline.

3
4 **Response:**

5 Please refer to the response to CEC IR 1.3.3.

6
7

8
9 4.3 Please confirm or otherwise explain that there are no incremental costs related to
10 providing the Monthly Gas Balancing rate design within the comprehensive RDA
11 (deadline December 31, 2016), such that the costs related to providing the
12 Monthly Balancing Gas Rate Design by December 1, 2015 represent a net
13 increase from meeting the latter deadline.

14
15 **Response:**

16 Confirmed.

17
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19
20 4.4 Please provide further discussion of why the other initiatives in 2015 are
21 problematic and expected to be occupying the time that would otherwise be
22 utilized in meeting the Commission deadline of December 1, 2015.

23
24 **Response:**

25 Initiatives which are being undertaken in 2015 that have required, and will continue to require,
26 significant involvement of Gas Supply staff, who will be mainly responsible for the Balancing
27 Gas application, include the following:

28 **WINS (Web Information and Nomination System) Technical Upgrade** – This initiative is to
29 replace the existing system with a WINS application having identical functionality on newer and
30 sustainable software platforms. The technology platform on which the existing WINS
31 application was developed is nearing end of life, making it difficult and expensive to support.

32 The WINS technical upgrade is essential to avoid the risks associated with not having a
33 sustainable nominations system on which to manage the day-to-day gas supply functions. If the
34 system were to fail, it would require significant internal efforts to maintain business as usual. FEI



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 16

1 would only be able to manually manage nominations and communicate these quantities to the
2 interconnecting pipelines for a few days before organizational control of supply demand,
3 inventories, consumption, and billing information would become overwhelming. Loss of service
4 through loss of integrity of the gas delivery system would have varying degrees of negative
5 impact on FEI's customers.

6 Further, the upgraded system is required to be completed in a timely manner in order to support
7 other system enhancements that will be required to be implemented in early 2016 to support
8 upcoming business changes.

9 **Price Risk Management** – The Price Risk Management initiative is underway, and FEI needs
10 to complete the workshops currently being conducted with stakeholders and Commission staff,
11 to complete a Workshop Summary Report and to prepare an application to be filed by FEI in
12 mid-2015. FEI expects the regulatory process following the filing of the application will be
13 completed during the fall of 2015.

14 Timing was selected in advance and further deferral of this initiative could result in delayed or
15 missed opportunities to execute any proposed price risk management strategies for the benefit
16 of customers.

17 It should be noted that these initiatives are in addition to the routine Gas Supply functions.

18
19

20

21 4.5 Could FEI revise its scheduling of the other initiatives such that the Monthly Gas
22 Balancing rate design could be completed by December, 2015 without incurring
23 extra expenses? Please explain why or why not.

24

25 **Response:**

26 Please refer to the response to CEC IR 1.4.4.

27

28

29

30 4.6 How long will it take FEI to prepare for the Comprehensive Rate Design
31 Application?

32

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 17

1 **Response:**

2 In January of this year (2015), FEI commenced work on the Comprehensive Rate Design
3 Application. As such, FEI expects approximately 24 months of preparation time in advance of
4 the filing. This time frame includes stakeholder consultation and workshops in advance of the
5 filing.

6
7

8

9 4.7 Please provide an estimate of the additional expense that would accrue from re-
10 reviewing the Monthly Balancing Gas service in conjunction with all the other
11 recommendations and charges.

12

13 **Response:**

14 FEI interprets this question to be asking for the additional costs that would accrue from
15 reviewing Monthly Balancing Gas Service as a separate application but with a filing date
16 extended to December 2016. If monthly balancing service was reviewed through a separate
17 process, but in conjunction with (i.e. along the same timeframe as) the Comprehensive Rate
18 Design, FEI expects that there may be additional costs pertaining to the separate review
19 process (i.e. hearing room costs, commission costs and Participant Assistance/Cost Awards
20 (PACA)). FEI expects that these costs would be in the range of \$25 - \$50 thousand.

21

22

23

24

25 4.8 Would an extension into the first quarter of 2016 provide sufficient relief such that
26 the review of the Monthly Balancing Gas could be compatible with the
27 comprehensive rate design and could be filed without need for additional review
28 and/or added expense? Please explain.

29

30 **Response:**

31 No. FEI's recommendations and proposals pertaining to the Comprehensive Rate Design
32 Application will be filed in December 2016. Furthermore, FEI is currently planning for
33 stakeholder engagement and workshops to occur throughout the spring and summer of 2016
34 which will have implications on the proposals. In addition, as noted in the response to CEC IR
35 1.2.2, the determination of whether or not Monthly Balancing Gas service should continue is a
36 matter that will be determined in the context of the Comprehensive Rate Design. As such, there



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 18

1 is a risk that an earlier application for separate Monthly Balancing Gas Rate Design may be
2 irrelevant if the service is ultimately discontinued shortly thereafter.

3 As such, if a separate application is to be filed, for maximum efficiency and compatibility, FEI
4 proposes a filing date that is aligned with the filing of the Comprehensive Rate Design
5 Application. However, the review of the balancing gas rate design application (as a separate
6 process) may need to lag the review of the Comprehensive Rate Design Application.

7
8

9
10 4.9 Would an extension into the second quarter of 2016 provide sufficient relief such
11 that the review of the Monthly Balancing Gas could be compatible with the
12 comprehensive rate design and could be filed without need for additional review
13 and/or added expense? Please explain.

14
15 **Response:**

16 Please refer to the response to CEC IR 1.4.8.

17
18

19
20 4.10 Would an extension into the third quarter of 2016 provide sufficient relief such
21 that the review of the Monthly Balancing Gas could be compatible with the
22 Comprehensive Rate Design and could be filed without need for additional
23 review and/or added expense? Please explain.

24
25 **Response:**

26 Please refer to the response to CEC IR 1.4.8.



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 19

1 **5.0 Reference: Exhibit B-1, Page 11**

10 Further, as noted above, the determination of whether or not Monthly Balancing Gas service
11 should continue is a matter that will be determined in the context of the Comprehensive Rate
12 Design. As such, there is a risk that the expenditures required to conduct a separate Monthly
13 Balancing Gas Rate Design may be incurred for a service that may be discontinued within a
14 short time frame. There may also be a duplication or waste of effort with regard to
15 implementation of changes that may only be in place for a limited time. For example, there may
16 be required changes to FEI's transportation rate schedules (and the terms and conditions within
17 each rate schedule) under a separate Monthly Balancing Rate Design. However, the
18 transportation rate schedules (and terms and conditions within each rate schedule) will be
19 subject to review and revision again as part of the Comprehensive Rate Design. The potential
20 for multiple changes to the affected transportation rate schedules that would result from two
21 applications may cause undue customer confusion.

2

3 5.1 Please provide an estimate of the cost of the original proceeding.

4

5 **Response:**

6 Total proceeding costs for the original application were approximately \$27 thousand.

7

8

9

10 5.2 Please provide an estimate of the cost of this proceeding.

11

12 **Response:**

13 FEI expects that the costs of the Reconsideration Application will be approximately \$15
14 thousand.

15

16

17

18 5.3 Please provide an estimate of the cost of a proceeding related to a Monthly
19 Balancing Gas proceeding independent of the comprehensive RDA.

20

21 **Response:**

22 Inclusive of the potential costs for contract resources of approximately \$100 thousand (please
23 refer to the response to CEC IR 1.3.3) and forecast application costs of \$25-\$50 thousand



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 20

- 1 (please refer to the response to CEC IR 1.4.7), FEI estimates that the costs of a separate
- 2 proceeding may be approximately \$125 - \$150 thousand.

FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 21

1 **6.0 Reference: Exhibit B-1, Page 11**

24 **4.3 IMPLICATIONS OF A ONE-YEAR DELAY**

25 FEI proposes to file the Balancing Gas Rate Design Application by December 31, 2016, which is
26 one year later than currently ordered by the Commission. FEI submits that a one-year delay in
27 the review of the rate design for Monthly Balancing Gas charges will not have significant
28 implications. FEI's Monthly Balancing rate has been in place since 2000, and the Balancing
29 Gas Application was limited to a proposed measure to address the potential arbitrage situation
30 in the market. As directed by the Commission in the Balancing Gas Application, until a new
31 Monthly Balancing rate is approved, FEI will continue to make use of the existing tariff
32 provisions to encourage compliance with the tariff and to minimize potential negative
33 consequences for natural gas core customers.

34 Moreover, as noted in the Monthly Balancing Application proceeding, 2013 recoveries from the
35 Monthly Gas Balancing service were approximately \$1.8 million, which, compared to FEI's Gas
36 Sales and Transportation revenue for 2013 of approximately \$1.1 billion, represents
37 approximately 0.16 percent. A one-year delay in the review of the rate design for Monthly
38 Balancing Gas charges should see no or little impact on core natural gas customers given the
39 relatively small magnitude of recoveries.

2
3

4 6.1 Does FEI believe that there are material implications that are arising from the
5 potential arbitrage of the balancing gas? Please explain why or why not and
6 provide any relevant evidence from the original application.

7
8 **Response:**

9 As indicated in the original Application, FEI believed that third party Shipper and/or Shipper
10 Agents may have an opportunity to take advantage of a price arbitrage opportunity between the
11 cost of their own supply and the price paid for Balancing Gas supplied by FEI to the benefit of
12 the Shipper and/or Shipper Agent. Thus, FEI proposed the price change to the balancing gas
13 charge. The proposed implementation of a \$0.10 per GJ premium on the charge per GJ for
14 Balancing Gas supplied in Rate Schedules 23, 25, 26, and 27 represented a mechanism to
15 address the potential price arbitrage opportunities that appear to have been taken advantage of
16 by some Shipper Agents.

17 Since FEI is not privy to the Shipper/Shipper Agents' business with its customers, FEI can only
18 speculate the reasons why Shipper/Shipper Agents are utilizing the Balancing Gas service. The
19 current pricing structure for Monthly Balancing Gas (average of Sumas Gas Daily price at month
20 end) is not available anywhere in the marketplace and FEI believed and thus proposed a \$0.10
21 per GJ premium to help incent proper behavior.

22 FEI believes that there are less material implications that arise from the potential arbitrage of the
23 Balancing Gas in a warmer than normal winter like 2014/15 compared with a colder than normal
24 winter like 2013/14. In a warmer than normal winter there are less, if any, price spikes at



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 22

1 Huntingdon that would allow a Shipper/Shipper Agent the opportunity to sell their customers'
2 supply on the day to take advantage of a price arbitrage and make that supply up at month end
3 with monthly Balancing Gas. In a colder than normal winter, there are typically more frequent
4 price spikes at Huntingdon, creating more price arbitrage situations.

5
6

7

8 6.1.1 If yes, please provide any quantification that FEI may have with respect
9 to the materiality of the impact.

10

11 **Response:**

12 Please refer to the response to CEC IR 1.6.1. Since FEI does not definitively know the reason
13 the Shipper/Shipper Agent is buying Balancing Gas, we are unable to quantify the materiality of
14 the impact.

15

16

17

18 6.2 Please discuss the options available to FEI under the existing tariff to encourage
19 compliance with the tariff.

20

21 **Response:**

22 Please refer to the response to BCUC IR 1.10.4 in the FEI Application for Approval to Amend
23 the Balancing Charges for Rate Schedules 23, 25, 26 and 27.

24

25

26

27 6.3 If the delay in filing the monthly balancing gas application is approved, please
28 provide an overview of the activities FEI anticipates undertaking to minimize
29 potential negative consequences for natural gas core customers.

30

31 **Response:**

32 As indicated in Exhibit B-1, Page 11, the delay in review of the Monthly Balancing Gas service
33 to be considered along with a Comprehensive Rate Design Application will result in little or no



FortisBC Energy Inc. (FEI or the Company) Application for Reconsideration of Order G-187-14 Amend the Balancing Gas Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application or the Application)	Submission Date: June 25, 2015
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1	Page 23

- 1 impact to core customers given the relatively small magnitude of recoveries. In Q1 2015,
- 2 recoveries from the Monthly Balancing Gas service were approximately \$5,400.
- 3 FEI will continue to monitor imbalances on a frequent basis and if necessary, use the existing
- 4 tools in the tariff to minimize the sale of Monthly Balancing Gas to minimize the impact to core
- 5 customers.