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August 3, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698899
FEI 2016 Rate Design Application – FEI Reply to Teck Coal Limited (Teck Coal)
Letter of Comment

On June 26, 2017, Teck Coal filed a Letter of Comment, which is marked as Exhibit E-1. FEI files this letter in response to Teck Coal in accordance with the Regulatory Timetable established by Order G-109-17.

Teck Coal is a transportation service customer under FEI's Rate Schedule 22B (RS 22B). Teck Coal states that it is balancing the Sparwood Tap from which it is served, and that FEI does not provide balancing service to RS 22B and is not using any midstream resources to balance RS 22B. FEI disagrees. As set out in FEI's response below, FEI is responsible for balancing the connection points with TransCanada's Foothills BC pipeline (Foothills BC) for all customers including RS 22B customers. In FEI's view, it is fair for all transportation customers to be held to the same balancing rules regardless of their location on the system.

RS 22B and the Columbia Region

RS 22B is limited to the Columbia Region. The Columbia Region is served by seven laterals from Foothills BC. These laterals are used to serve RS 22B customers, Byron Creek Coal as well as FEI's sales customers, such as those in the towns of Sparwood, Cranbrook, Elko, Fernie, Galloway, Kimberley and Yahk.

There are five RS 22B customers. Four RS 22B customers are mines owned by Teck Coal that are located on the Sparwood lateral. They include Teck Coal's Elkview, Greenhills, Fording River and Line Creek Operations. Teck Coal's Shipper Agent is Shell Energy North America (Canada) Inc. (Shell). Shell is a registered intervener in this proceeding (Exhibit C5-1).

The fifth RS 22B customer is Skookumchuk Pulp & Paper, which is located on the Cranbrook lateral. Skookumchuk Pulp & Paper's Shipper Agent is Absolute Energy Inc. (Absolute). Absolute is also a registered intervener in this proceeding (Exhibit C12-1).

RS 22B customers are currently not held to any monthly or daily balancing requirements under FEI's tariff.

FEI is Responsible for Balancing with Foothills BC Pipeline

Historically, each individual shipper in the Columbia Region had an Operating Balancing Agreement (OBA) with Foothills BC. The process of managing OBAs with individual shippers proved to be onerous for TransCanada. Approximately 10 years ago, FEI entered into OBAs with Foothills BC to manage FEI's sales and transportation service loads directly with TransCanada.

Today, FEI holds OBAs for each of the seven connection points with Foothills BC. Foothills BC requests that FEI balance its supply and demand at the interconnecting points in the Columbia Region. Foothills BC does not enforce a specific daily or monthly balancing requirement, but requests a trend to zero variance between demand and supply on any given day. FEI must utilize its midstream resources to meet these requirements.

FEI manages its OBAs with Foothills BC as a whole. The load is relatively small at each connection, with the most significant load being at Yahk. The load at Yahk can range from between 20 to 100 TJ, as it is also used to serve the Interior loads through the Southern Crossing Pipeline. The connection with Foothills BC with the next largest load is the Sparwood Tap, which can range from between 11 TJ to 20 TJ. Given this, FEI manages the gas supply and demand balance at Yahk more tightly using its midstream resources. By managing the most significant load connection more closely, the overall supply and demand with Foothills BC is kept in balance and the other connections indirectly benefit. When there is a significant imbalance at the Sparwood Tap or any of the Columbia locations, FEI receives a call from TransCanada. If the imbalance is caused by a specific shipper like Shell, FEI contacts Shell directly to request an increase or decrease in supply. However, large variances are frequently tolerated on the Sparwood Tap due to FEI's efforts to manage the gas supply and demand balance for the much larger loads at Yahk.

Supply and Demand of Shell's Sparwood Group

FEI analysed the supply and demand data for Shell's Sparwood group, consisting of the four Teck Coal operations served off of the Sparwood lateral, from January 2016 to June 2017. Figure 1 below shows the demand and supply plotted together. As the figure depicts, there are large variances between demand and supply.

Figure 1: Shell Sparwood Demand and Supply 2016-17

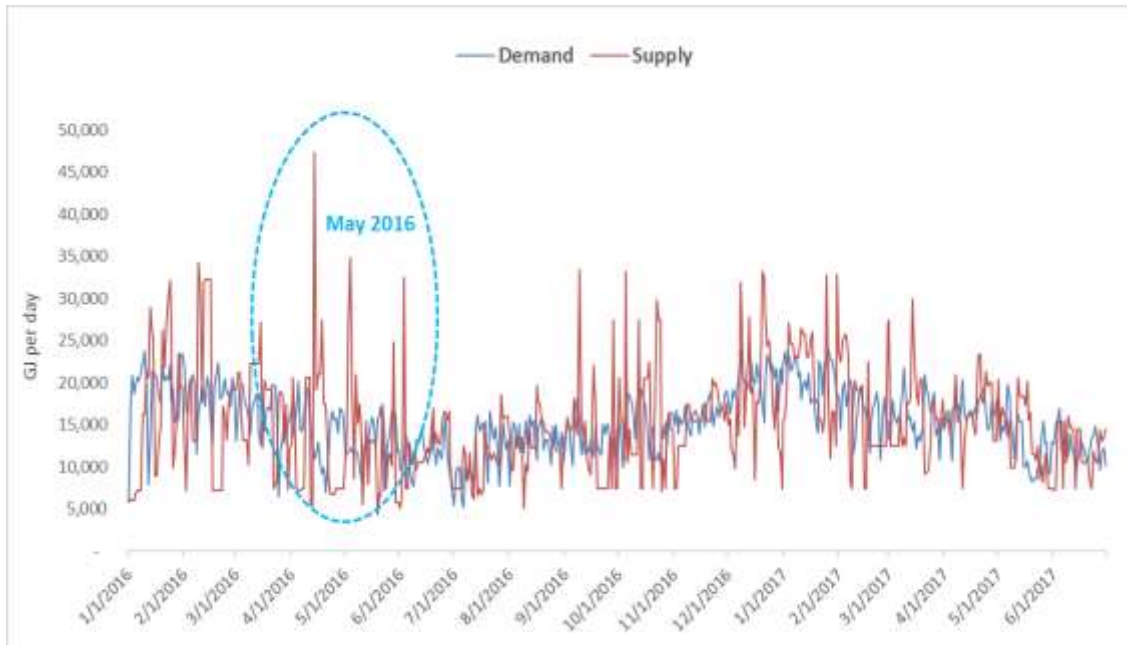


Figure 2 below shows the variances between supply and demand for the month of May 2016. During this month, the load remains approximately within the 10,000 to 15,000 GJ range, while the supply does not appear to trend or match the demand. As indicated in Figure 2, the daily imbalance fluctuates between an over-supply of 184 percent and under-supply of 72 percent.

Figure 2: Shell Sparwood Demand and Supply (May 2016)



FEI's Proposal to Apply the Same Rules to all Transportation Customers is Fair

FEI believes that it is fair to hold all transportation customers to the same rules, regardless of location, size of load or inter-connecting pipeline on FEI's system. FEI's proposed changes in the Application aim to treat all transportation customers the same way and reflect how FEI manages its system on a daily basis. Specifically, all customers across all locations on FEI's system would move to daily balancing and be held to the 10% balancing tolerance with the implementation of a tiered charge approach whereby charges increase as tolerance ranges are exceeded.

Figure 10-11 in the Application shows that many local distribution companies across the U.S. and Canada set balancing thresholds at approximately 5 percent, and that thresholds rarely exceed 10 percent, and sometimes are as low as 0 percent. Sections 8.2 and 8.3 of the Elenchus Rate Design Report dated June 23, 2017 provide a jurisdictional review of balancing requirements for transportation service among Canadian utilities, which indicates that daily balancing provision for transportation service is the standard industry practice and most utilities have a balancing tolerance of less than 10 percent.

FEI believes that its proposals are reasonable and consistent with industry standards, and should be applied to all transportation customers.

If you have any questions with respect to the above, please contact Shawn Hill, Director, Energy Supply & Gas Control, at (604) 592-7840.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

cc (email only): Registered Parties