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November 7, 2017

Absolute Energy Inc.
Suite 606 – 1112 West Pender Street
Vancouver, B.C.
V6E 2N1

Attention: Mr. Peter Kresnyak, Director, Business Development

Dear Mr. Kresnyak:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698899
2016 Rate Design Application (the Application)
Response to Absolute Energy Inc. (Absolute) Information Request (IR) No. 2

On December 19, 2017, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-109-17 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to Absolute IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

FortisBC Energy Inc. (FEI or the Company) 2016 Rate Design Application (the Application)	Submission Date: November 7, 2017
Response to Absolute Energy Inc. (Absolute) Information Request (IR) No. 2	Page 1

1 **1.1 Reference: Exhibit B-8 Absolute IR No. 1 & BCOAPO IR No 10.4**

2 FEI has stated that is has not attempted to quantify the expected variance improvement
3 that will come from tightening the balancing rules for shippers from 20 to 10% because it
4 does not know how each Shipper Agent will react/manage to the new balancing rules if
5 approved.

6 1.2 In order to substantiate the decision to tighten the balancing rules for Shipper
7 Agents, can FEI provide a quantitative assessment of the benefits accruing to RS
8 1 and RS 2 customers under the new proposed balancing rules in two parts;

9 i) Benefits of moving all Shipper Agents to daily balancing,

10 ii) Benefits of moving all Shipper Agents from a 20% to 10% balancing
11 tolerance.

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13 **Response:**

14 Please refer to the response to CEC-FEI IR 1.56.1 (Exhibit B-11, pages 131-132). In that
15 response, FEI provided a quantitative estimate of balancing charges that could have been
16 collected in 2015 under the proposed 10 percent balancing provisions, assuming that the new
17 balancing rules had not led to changes in Shipper Agent behavior. In 2015 both daily and
18 monthly balancing provisions were in effect, so FEI is unable to provide a quantitative
19 assessment of daily balancing exclusively as requested in part (i) of this question. With respect
20 to part (ii) of this question, the table prepared in the response to CEC-FEI IR 1.56.1 shows
21 approximately \$1.4 million could have been collected and credited back to the midstream
22 portfolio for the benefit of customers under RS 1 to RS 7, the majority of which would accrue to
23 RS 1 and RS 2.

24

FortisBC Energy Inc. (FEI or the Company) 2016 Rate Design Application (the Application)	Submission Date: November 7, 2017
Response to Absolute Energy Inc. (Absolute) Information Request (IR) No. 2	Page 3

1 **Response:**

2 As indicated in response to Shell-FEI IR 2.1, FEI manages gas delivered to the Columbia taps,
3 including the East Kootenay Exchange (EKE) location, on a daily basis. Since the gas
4 requirements controlled at the Columbia taps including EKE may also affect and control
5 imbalances in the Interior and Lower Mainland locations, FEI utilizes all midstream resources to
6 manage the OBAs and the system as a whole.

7 The resources within the midstream portfolio that may be employed on any given day to balance
8 supply and demand at the Columbia taps include the following:

- 9 • Station 2 and AECO/NIT supply with associated firm transportation capacity;
- 10 • Seasonal storage (Aitken Creek Storage, Alberta storage);
- 11 • Market area storage (Jackson Prairie Storage and Mist); and
- 12 • On-system LNG at Mt Hayes and Tilbury.

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16 2.4 During the last year can FEI confirm if it has ever been charged penalties by
17 Foothills BC for being outside of tolerance of the terms of its OBA with Foothills
18 BC?

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20 **Response:**

21 As FEI manages nominated supply on a daily basis, FEI has not been assessed penalties by
22 Foothills BC when outside of tolerance. FEI has always made best efforts on a daily basis to
23 respond to imbalances and to balance to zero at the interconnects in the Columbia region.

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27 2.5 In order to improve balancing efficiencies for Shipper Agents currently managing
28 customers within the Columbia service territory, will FEI consider Shipper Agents
29 moving those Columbia region customers to their Shipper Groups located in the
30 BC Interior (within FEI's WINS system)?

31

32

33 **Response:**

34 FEI would not consider pooling customers from the Columbia region with those in the BC
35 Interior location within FEI's WINS system. Physically, the transportation customer demand is
36 at the specific tap, interconnected off the Foothills BC system, not the Interior location which is

FortisBC Energy Inc. (FEI or the Company) 2016 Rate Design Application (the Application)	Submission Date: November 7, 2017
Response to Absolute Energy Inc. (Absolute) Information Request (IR) No. 2	Page 4

1 off the Enbridge (Westcoast Energy Inc.) system. In addition, as the delivery points are different,
2 there may be different costs involved to deliver gas at these locations for the customers.
3 Therefore, FEI does not support combining the Columbia region with the Interior region from an
4 operational perspective.

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8 2.6 Given the current lack of firm pipeline capacity available into the Foothills system,
9 will FEI consider delaying the implementation of its proposed balancing rules in
10 the Columbia region until such a time as customers/Shipper Agents are able to
11 contract for firm pipeline service and be better able to stay within the balancing
12 provisions proposed by FEI?

13

14 **Response:**

15 While currently no annual Firm Daily transportation capacity is available into Foothills BC (Zone
16 8), Shipper Agents can make alternate commercial arrangements, as they do today, to enable
17 deliveries to these locations. There are market-based supply and transportation options
18 available whereby Shipper Agents are able to have supply delivered to the Columbia taps by a
19 counterparty that holds firm service; or they may procure temporary transportation capacity from
20 a counterparty.

21 FEI is aware that many Shipper Agents do not hold firm T-South capacity on the Enbridge
22 (Westcoast Energy Inc.) system and are able to manage within the current daily balancing
23 provisions at the Lower Mainland and Interior regions. Given these considerations, FEI does not
24 believe that a delay in implementation is necessary as Shipper Agents are contracted to actively
25 manage supply and resolve these types of issues on behalf of their customers.

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