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January 9, 2019

British Columbia Public Interest Advocacy Centre
Suite 803 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: Ms. Leigha Worth, Executive Director

Dear Ms. Worth:

**Re: FortisBC Energy Inc. (FEI)
Project No. 1598917**

**2017 Price Risk Management Plan (PRMP) (the Application) and the 2018 PRMP
(the Revised Application)**

**Response to the British Columbia Public Interest Advocacy Centre
representing the British Columbia Old Age Pensioners' Organization, Active
Support Against Poverty, Disability Alliance BC, Council of Senior Citizens'
Organizations of BC, and the Tenant Resource and Advisory Centre *et al.*
(BCOAPO) Information Request (IR) No. 1 on New Evidence**

On November 29, 2018, FEI filed its Winter 2018/2019 Price Risk Update (New Evidence) in the above noted proceeding. In accordance with the British Columbia Utilities Commission Order (BCUC) G-232-18 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCOAPO IR No. 1 on New Evidence.

In FEI's view, a number of the IRs from BCOAPO and CEC on FEI's New Evidence are not relevant to FEI's 2018 PRMP. The IRs appear to relate instead to the potential impacts of the Enbridge rupture on FEI's Annual Contracting Plan ACP or Long Term Gas Resource Plan, which are filed separately with the BCUC. Nonetheless, given that FEI's New Evidence raises the topic of the Enbridge rupture, FEI has provided responses to the questions to be helpful to BCOAPO and CEC.

If further information is required, please contact Mike Hopkins, Senior Manager, Price Risk & Resource Planning at (604) 592-7842.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) 2017 Price Risk Management Plan (PRMP) and the 2018 PRMP (the Application or the Revised Application)	Submission Date: January 9, 2019
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1 1. Has the cause(s) of the rupture been identified? If so, has Enbridge/WEI taken
2 steps to minimize the likelihood of a future recurrence of such a rupture?

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4 **Response:**

5 This response addresses the following IRs related to the October 9, 2018 pipeline rupture on
6 Enbridge's T-South pipeline system: BCOAPO IRs 1.1.1, 1.1.2, 1.1.3, 1.1.4 and 1.1.5 on FEI's
7 New Evidence.

8 The PRMP provides strategies and tools to mitigate market price volatility to support commodity
9 rate stability and capture opportunities to maintain commodity rates at historically low levels for
10 customers. The Annual Contracting Plan (ACP) focuses on managing the physical resource
11 requirements to meet the load requirements of its Core customers in the next five years. FEI's
12 Long Term Gas Resource Plan presents a long term view of the demand- and supply-side
13 resources identified to meet FEI's expected future natural gas demand and reliability
14 requirements at the lowest reasonable cost to FEI's customers over the 20-year planning
15 horizon. In FEI's view, the information requests from BCOAPO on FEI's New Evidence are not
16 relevant to FEI's 2018 PRMP. The information requests appear to relate instead to the potential
17 impacts of the Enbridge rupture on FEI's ACP or LTRGP, which are filed separately with the
18 British Columbia Utilities Commission (BCUC). Nonetheless, given that FEI's New Evidence
19 raises the topic of the Enbridge rupture, FEI provides the following response to be helpful to
20 BCOAPO.

21 At this time no cause of the rupture has been officially disclosed by either Enbridge or the
22 regulatory authorities involved in investigating the incident, which include the National Energy
23 Board and Transportation Safety Board. Official disclosure of the cause of the incident is
24 unlikely to occur before the Transportation Safety Board issues its report. It is unknown at this
25 time when this report will be made public.

26 Immediately following the incident, the National Energy Board ordered a reduction in the
27 maximum operating pressure of the Enbridge T-South system so that it could continue to be
28 operated safely. With this pressure reduction there is less capacity on the system as a whole.
29 Significant system integrity work is being completed on the entire length of the system so that
30 Enbridge is able to provide the assurance required by the National Energy Board that the
31 system can be operated safely at maximum operating pressure. However, until the report
32 detailing the cause of the incident is released, it is not known what further steps Enbridge might
33 take to minimize the likelihood of a future recurrence of such a rupture.

34 FEI had not estimated the likelihood of this type of rupture reoccurring, given that an incident of
35 this magnitude is extremely uncommon. FEI is not aware of this type and scale of incident



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1 occurring in the past on the Enbridge system. The overall integrity of the pipeline system in the
2 region (i.e., British Columbia and the US Pacific Northwest) has been generally reliable.

3 The Enbridge rupture has raised considerations that could change FEI's planning strategies for
4 future applications. These considerations will be addressed to a certain extent in the upcoming
5 ACP and the Long Term Gas Resource Plan (LTGRP). Considerations would include additional
6 infrastructure to help build more redundancy in the region. This is important because even if
7 FEI could have foreseen the rupture in the summer of 2018 (i.e., prior to the rupture), FEI's
8 action in terms of physical supply would be limited given that the resources in the region are
9 fully contracted and constrained during the winter. Therefore, building redundancy in the region
10 by adding more infrastructure will help mitigate the risk of future situations, such as the one that
11 occurred on the T-South pipeline system. Given that the resources in the region are
12 interconnected and that market participants in the region typically dictate how much redundancy
13 is required, a long term solution in the region will mostly require the participation by all regional
14 stakeholders and utilities, not just FEI. Any solution would also likely take 5 to 10 years to
15 implement and would be contingent upon regulatory approvals.

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19 2. In the design of its ACP engage in scenario modeling? If so, was a transmission
20 rupture such as occurred in October 2018 considered a possibility?

21
22 **Response:**

23 The ACP is designed to meet its Core customer's peak day, and design and normal load
24 requirements for the upcoming gas contracting year (November to October). These load
25 requirements are based on short term and medium term customer load forecasts derived from
26 trends observed in recent years. The portfolio analysis or modeling that goes into the ACP is
27 based upon the availability of the resources in the region. The ACP also evaluates its portfolio
28 beyond the next gas year based on market conditions that may impact future supply
29 procurement. However, given that the resources in the region are currently fully contracted and
30 constrained in the winter, there are few resource options at FEI's disposal in the short term
31 planning to be able to run additional gas supply scenario modeling, such as a significant
32 transmission rupture on another entity's pipeline. Moreover, any solution (i.e., additional
33 pipeline infrastructure) to resolve a scenario such as a significant transmission rupture on
34 another entity's pipeline, would require at a minimum 5 to 10 years to implement. This is a
35 major reason why any changes in the ACP over the short term are limited.



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1 The 2017 LTGRP includes a scenario analysis as part of its demand forecasts, but did not
2 consider a transmission rupture such as the one that occurred in October 2018. As discussed
3 in the response to BCOAPO IR 1.1 on New Evidence, this was not a consideration given a
4 pipeline rupture of this magnitude is extremely uncommon. In its next LTGRP, FEI can provide
5 an overview of how it can respond to risks to supply, and is agreeable to doing so as part of its
6 next LTGRP if directed to do so by the BCUC in the BCUC's decision on the 2017 LTGRP.

7 Please also refer to the response to BCOAPO IR 1.1 on New Evidence.

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11 3. Did FEI have an estimate as to the likelihood of such a (rupture) possibility, e.g.,
12 as a 1 in X year event or a Y% probability per year?

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14 **Response:**

15 Please refer to the response to BCOAPO IR 1.1 on New Evidence.

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19 4. Does FEI have an estimate as to the likelihood of a similar rupture or any event
20 that could impact similarly physical supply and spot price volatility in the future?
21 If so please provide comments.

22

23 **Response:**

24 No, FEI does not have an estimate as to the likelihood of a similar rupture or event.

25 Please refer to the response to BCOAPO IR 1.1.1 on New Evidence and CEC IR 1.2.2 on New
26 Evidence.

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30 5. Hypothetically, had FEI foreseen the rupture (i.e., known in advance) in summer
31 2018, would there have been any actions available by FEI then – and not
32 available now – which could have further mitigated the impacts on physical



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1 supply and on spot price volatility of the rupture for the 2018/2019 heating
2 season?

3

4 **Response:**

5 It is not possible for FEI to foresee transmission pipeline ruptures.

6 FEI's ability in the summer of 2018 to obtain physical supply to mitigate the impacts of the
7 rupture would have been limited for the reasons discussed in response to BCOAPO IR 1.1 on
8 New Evidence. However, FEI would have been able to use hedging to mitigate the impacts of
9 the rupture on price volatility if prior approval were received from the BCUC. FEI has used
10 Sumas-AECO/NIT basis swaps in the past (before 2013/14) for FEI's Sumas price exposure.
11 The Sumas-AECO/NIT basis swaps can mitigate monthly price exposure but not daily price
12 exposure as there is no active market for daily price hedging at Sumas.

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16 6. With the current supply and hedging arrangements FEI has in place, please
17 comment on the extent of supply shortfalls and curtailments and commodity
18 prices that would/could occur should a design day (maximum HDD) event occur
19 during the 2018-19 heating season.

20

21 **Response:**

22 In the event of a FEI design day peak load event during winter 2018/19, FEI expects that Sumas
23 market would continue to experience high prices and volatility, as it typically does during the
24 winter when demand exceeds pipeline capacity. With regard to supply shortfalls and
25 curtailments, please refer to the response to CEC IR 1.2.4 on New Evidence.