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May 16, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

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

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Applications for Approval of Tariff Changes to Rate Schedule 46 – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (Applications)

Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1

On March 21, 2019 and April 17, 2019, respectively, FEI filed the Applications seeking approval of various tariff changes to Rate Schedule 46 on a permanent basis. In accordance with BCUC Order G-95-19 setting out the Regulatory Timetable for the review of the Applications, FEI respectfully submits the attached response to BCUC IR No. 1.

If further information is required, please contact Ilva Bevacqua at 604-592-7664.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Registered Parties

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Tariff Changes to Rate Schedule (46 (RS 46) – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (the Application)	Submission Date: May 16, 2019
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1.0 Reference: BACKGROUND

Exhibit B-2, April 2019 Application, Background, p. 2

RS 46 market-based indexed rate

On page 2 of the April 2019 Application, FortisBC Energy Inc. (FEI) states:

The LNG sales, dispensing, and transportation service offered by FEI under RS 46 commenced in 2013, provides LNG service to customers who have invested in LNG fleets and equipment.

Since inception of the LNG service, the commodity rate in RS 46 has been set on a market based index at the Huntingdon/Sumas market hub. The commodity rate for RS46 is set to the Sumas Monthly Index Price plus the Market Factor. The Sumas Monthly Index Price is set by Platts, and is based on transaction data collected for the last five business days of a month, also known as bidweek, which establishes the Sumas Monthly Index Price for the subsequent month. The Sumas Monthly Index Price set during bidweek is derived from prevailing market conditions in the region, including weather, regional storage inventory levels, and any pipeline operational issues.

The theory behind setting the commodity rate in RS 46 on a market-based indexed rate was the premise that RS 46 customers would be operationally similar to FEI's industrial customers, many of whom choose to take service under FEI's transportation service rate schedules. Transportation service customer choose transport service because they have access to the expertise and a desire to manage their natural gas commodity supply requirements and costs, either on their own or through a marketer.

1.1 Please provide the number of customers taking service under Rate Schedule (RS) 46, the Liquefied Natural Gas (LNG) service type and the associated aggregate volumes for each year since 2013.

Response:

The following table provides the number of customers taking service under RS 46, the type of service, and the aggregate volumes, since the inception of RS 46 in 2013. As can be seen, the number of customers and aggregate volumes for RS 46 customers have steadily increased year over year.

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	2013	2014	2015	2016	2017	2018
Total Number of Customers	3	9	13	18	20	25
<i>Firm Customers</i>	2	6	8	8	9	9
<i>Spot Customers</i>	1	3	5	10	11	16
Aggregated Volumes (GJ per year)	193,129	507,194	623,601	696,546	980,977	1,264,398

1.2 Please explain if FEI estimated the number of RS 46 customers that would purchase commodity supply from FEI, based on the Sumas Monthly Index Price, and from gas marketers when RS 46 commenced in 2013.

Response:

No, not specifically. Given that RS 46 has a threshold of 5,000 GJ per day (or 1,825,000 GJ per year¹) for a customer to elect to procure their gas commodity on their own or through a gas marketer, FEI expected that most RS 46 customers would be purchasing their commodity supply from FEI. At the time that RS 46 was developed, there were very few prospective customers with forecast loads that would meet the threshold for customers to manage their own commodity either directly or through a gas marketer.

1.2.1 If yes, please provide these estimates.

Response:

Please refer to the response to BCUC IR 1.1.2.

1.2.2 If not, why were these estimates not made?

Response:

Please refer to the response to BCUC IR 1.1.2.

¹ RS 46 Tariff, Section 8.1(ii), p. R-46.9.

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4 1.3 Is FEI aware of the charges paid by transportation service customers purchasing

5 the commodity through a gas marketer?

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7 **Response:**

8 FEI transportation customers enter into confidential contracts directly with gas marketers for the

9 supply of their natural gas commodity. As FEI is not a party to the contracts between customers

10 and their gas marketers, FEI is not privy to the rates that each individual transportation service

11 customer has negotiated with their respective gas marketer. There are currently no RS 46

12 customers that meet the volume threshold required to be able to purchase gas either directly or

13 through a gas marketer.

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17 1.3.1 If yes, please provide a graph comparing the commodity rate in RS 46

18 and the rates paid through a gas marketer.

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20 **Response:**

21 Please refer to the response to BCUC IR 1.1.3.

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25 1.4 Please explain how FEI calculates the Market Factor. Please provide all

26 supporting calculations in the response.

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28 **Response:**

29 As noted in the response to BCUC IR 1.3.3, the commodity supply for RS 46 customers is

30 procured through the Annual Contracting Plan (ACP) using Station 2 and AECO/NIT market

31 supply hubs. Within the ACP, under normal conditions, FEI procures both Monthly and Daily

32 Index Priced physical supply at Station 2 and AECO/NIT. Under certain market conditions, the

33 Market Factor is a premium or discount applied to an Index Price (Monthly or Daily) for physical

34 supply which FEI procures at a market hub. A Market Factor, if applicable, is determined when

35 FEI enters into a commercial transaction with a counterparty. Each term supply contract with a

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counterparty can have a Market Factor applied to it, and the Market Factor is typically fixed for the duration of the term of the deal.

Under normal market conditions, FEI does not procure Sumas Monthly Index Priced physical supply for RS 46 or for the ACP. However, due to the October 2018 Enbridge pipeline incident which constrained T-South capacities and caused uncertainty in the region leading into the winter season, FEI did secure Sumas Monthly Index Priced physical supply in the 2018/19 ACP. In addition, due to uncertainty around when T-South capacity may return to 100 percent, FEI has sought approval to continue to purchase some Sumas Monthly Index Priced physical supply in the 2019/20 ACP that was filed with the BCUC May 1, 2019.

Given the limited and recent purchases FEI has made at the Sumas market hub (and due to the extenuating circumstances surrounding the Enbridge incident), FEI has incurred some market factor premiums to secure Sumas priced gas during this past winter. However, FEI has not had to apply a Market Factor on the Sumas Monthly Index Price for RS 46 customers because supply and related costs as accommodated for within the ACP are not streamed to any one particular Rate Schedule. Rather they are procured to meet the firm load requirements of all customers in Rate Schedules 1-7 and 46.

1.4.1 Please confirm, or explain otherwise, that the Market Factor is calculated and applied on a monthly basis.

Response:

Please refer to the response to BCUC IR 1.1.4.

1.4.2 Please discuss if the Market Factor is a fixed or floating premium above the Sumas Monthly Index Price.

Response:

Please refer to the response to BCUC IR 1.1.4.

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2 1.4.3 Please discuss if the Market Factor is based on delivered volumes.

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4 **Response:**

5 Please refer to the response to BCUC IR 1.1.4.

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9 1.4.4 Please comment on whether the Market Factor could be considered a
10 risk premium or portfolio fee charged by FEI to RS 46 customers to
11 secure delivery of supply the following month.

12

13 **Response:**

14 Please refer to the response to BCUC IR 1.1.4.

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18 1.4.4.1 If not, please explain the purpose of the Market Factor.

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20 **Response:**

21 Please refer to the response to BCUC IR 1.1.4.

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25 1.5 Please explain if FEI or any of its RS46 customers, have previously raised the
26 potential for the RS 46 rate to be amended from the monthly Sumas Monthly
27 Index Price plus the market factor. Please provide a summary of any feedback
28 received in your response.

29

30 **Response:**

31 FEI interprets the word “previously” in this Information Request to mean “prior to the Enbridge
32 incident in October 2018”. Prior to the Enbridge incident in October 2018 and the subsequent
33 increase in the Sumas Monthly Index, neither FEI nor its RS 46 customers had asked for the
34 commodity pricing mechanism in RS 46 to be reviewed. However, FEI’s RS 46 customers have



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1 commented on the fluctuations in the Sumas monthly price from month to month and customers
2 have sought clarification on how the Sumas month price is determined and where this price
3 index is published. FEI has responded to these customer inquiries and provided clarity on how
4 the Sumas Monthly Index is derived and where it is published.

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2.0 Reference: HUNTINGDON/SUMAS SUPPLY RISK

Exhibit B-2, Huntingdon/Sumas Supply Risk, pp. 3, 6

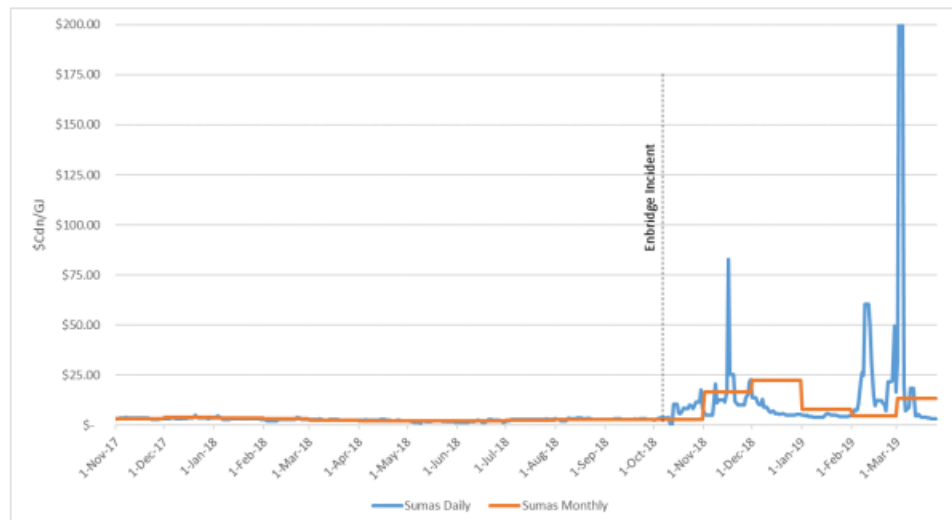
Sumas supply and price volatility

On page 3 of the April 2019 Application, FEI states:

The majority of the supply at the Huntingdon/Sumas market hub is from a single source [Emphasis added], namely, the Enbridge T-South system. This reliance on a single source of supply, combined with regional market forces, can severely disconnect Sumas prices from other market hub prices, such as AECO/NIT and Station 2... This volatility risk is one of the primary reasons why FEI moved away from purchasing Huntingdon supply in its 2013/2014 Annual Contracting Plan (ACP).

On page 6 of the April 2019 Application, FEI provides the following:

Figure 3: Sumas Monthly and Daily Prices Overlaid



FEI expects that price volatility will continue in the Sumas market because of the constrained regional infrastructure, particularly in the winter, and the uncertainty over when and/or if Enbridge will be able to return the T-South pipeline back to its normal operating pressure.

2.1 Please explain if FEI considered any alternative indices or pricing methods for the commodity rate RS 46 customer would pay.

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Response:

In addition to the pricing method proposed in the Application, FEI did consider other indices, but did not consider pricing methods other than the commodity-related charges in FEI's sales service bundled rate schedules. FEI did not consider other pricing methods because adopting the existing commodity-related rate structure in FEI's bundled sales service rate schedules would stabilize commodity rates for RS 46 customers and address their commodity price risk and volatility concerns.

In addition to the Sumas Monthly Index price published by Inside FERC, FEI considered two other commodity price indices: the Station 2 and AECO/NIT price indices, which are published by Canadian Gas Price Reporter (CGPR). FEI considered Station 2 and AECO/NIT because FEI currently purchases large quantities of gas commodity under the ACP from these two supply hubs and FEI has longstanding relationships with gas marketers and producers that typically provide gas supply at these supply hubs.

In order to address RS 46 customers' concerns about exposure to commodity price risk and volatility, use of an alternative market index could partially mitigate against the situation recently experienced due to constraints on the T-South system. However, a commodity price based on any market hub price, irrespective of the market hub used, would continue to expose RS 46 customers to the risks inherent in market dynamics and any resulting commodity price volatility.

A further complexity of adopting a market hub other than Sumas as the basis for the RS 46 commodity rate is that an additional charge would have to be calculated to account for the transmission of gas through upstream pipelines to deliver the gas from the selected supply hub to the Huntingdon / Sumas interconnect point to FEI's system. A number of assumptions and estimates would have to be used in developing such a charge for commodity tied to indices at different market hubs.

2.1.1 If yes, please explain the pros and cons of each alternative method.

Response:

The table below summarizes the pros and cons identified for the alternative index-based pricing methods discussed in response to BCUC IR 1.2.1 relative to the Sumas Monthly price index. FEI grouped Station 2 and AECO/NIT as one alternative method because the pros and cons apply equally to both of these supply points.

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	Pros	Cons
Station 2 or AECO/NIT	More liquid supply hubs relative to Sumas supply hub in terms of volume of gas and number of counterparties transacting on a regular basis.	RS 46 commodity rate would continue to be set in a manner not reflective of actual procurement practices – as noted in the response to BCUC IR 1.3.3, commodity supply for RS 46 customers is procured through the ACP.
	Extensive pipeline infrastructure and gas grid connectivity for both supply hubs.	RS 46 customers would still be subject to price volatility (albeit to a smaller degree than for Sumas) as gas commodity prices would still be subject to fluctuations and changes to market conditions and market disruptions.
	Although price spikes and volatility can be exhibited at Station 2 or AECO/NIT, the overall volatility and magnitude of price spikes is lower historically than for the Sumas supply hub, thus muting the price impact of supply disruptions on end use customers.	Prices for these two supply hubs are published in gas commodity pricing publications and are not fully available or transparent for all RS 46 customers.

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2.1.2 If not, why were alternatives not considered?

Response:

Please refer to response to BCUC IRs 1.2.1 and 1.2.1.1.

2.2 Please explain why FEI based the commodity rate in RS 46 on the Sumas Monthly Index Price when the price volatility of the Sumas /Huntington hub was already a cause for concern to FEI.

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Response:

While FEI was aware of Sumas market price volatility at the time that RS 46 was developed, setting the RS 46 commodity rate to the Sumas Monthly Index Price allowed customers to enter into financial hedging transactions through a marketer or other counterparty providing them the ability to lock in to a fixed price for a specified period of time. FEI understands, however, that few, if any, RS 46 customers chose to manage their commodity risk in this way. Furthermore, as illustrated in the response to BCUC IR 1.2.6, the level of volatility at Sumas has increased relative to the other market hubs since RS 46 was developed.

2.3 Please explain if there was a specific event or events that caused FEI to move away from Huntingdon supply in the 2013/2014 ACP?

Response:

At the time of the 2013/2014 ACP, FEI and FEVI were concerned with the overall level of declining firm contracting on the T-South system and the ability of gas shippers to reliably deliver gas supply to FEI and FEVI at Huntingdon under interruptible service during periods of high demand in the winter periods. It was for this primary reason that FEI and FEVI sought BCUC approval to remove gas commodity procured at the Huntingdon supply hub in the 2013/14 ACP and contract for additional T-South capacity.

FEI stated in its 2013/14 ACP², section 3.3.1.2 on page 14: “...FEI believes that the current level of decontracting of firm service on the Westcoast T-South pipeline system effective for the upcoming winter (i.e. 2013/14 winter) has the potential to adversely impact the reliability of Huntingdon supply.” In Appendix C of the 2013/14 ACP, FEI also stated, “...FEI and FEVI are concerned with the amount of firm T-South contracting and impacts on Huntingdon supply reliability for the upcoming winter and beyond. Therefore, FEI and FEVI are recommending changes within their ACP portfolios.”

The 2013/14 ACP was generally accepted by the BCUC in Letter L-43-13 issued on July 11, 2013.

² Filed on May 1, 2013.

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2.4 FEI states that the “majority” of supply at Huntingdon/Sumas market hub is from a single source. Please discuss the other supply source(s) for delivery of commodity at the Huntingdon/Sumas hub.

Response:

The majority of physical supply at the Huntingdon/Sumas market hub is supplied via the Enbridge T-South transmission system that delivers gas from the northern supply regions of BC and supply available from the Station 2 market hub.

The other smaller supply source is via the Foothills BC system owned and operated by TransCanada, which delivers gas from Alberta that is procured at AECO/NIT, onto FEI’s Southern Crossing pipeline system in the Kootenay region. This gas supply is then moved east-to-west and delivered onto the T-South system at Kingsvale, and then transported south to the Huntingdon/Sumas market hub.

2.4.1 Please discuss whether FEI has contracted for any of these other sources of supply in the 2018/19 or 2019/20 ACPs.

Response:

FEI has contracted for other sources of supply (i.e. AECO/NIT via the Southern Crossing Pipeline) in its 2018/19 and 2019/20 ACPs. The majority of FEI’s contracted gas is delivered at Huntingdon/Sumas from Station 2 via Westcoast T-South. However, to be clear, FEI has purchased gas supply at the Sumas Monthly Index for the 2018/19 winter period in response to the Enbridge pipeline rupture incident that occurred on October 9, 2018.

Please also refer to the response to BCUC IR 1.2.4.

2.4.2 Please provide a volumetric comparison of daily deliveries at the Huntingdon/Sumas hub between T-South and any other source.

Response:

The total firm contracted capacity on Westcoast T-South at the Huntingdon Delivery Area is 1,450 MMcf/day between April and October and 1,610 MMcf/day between November and

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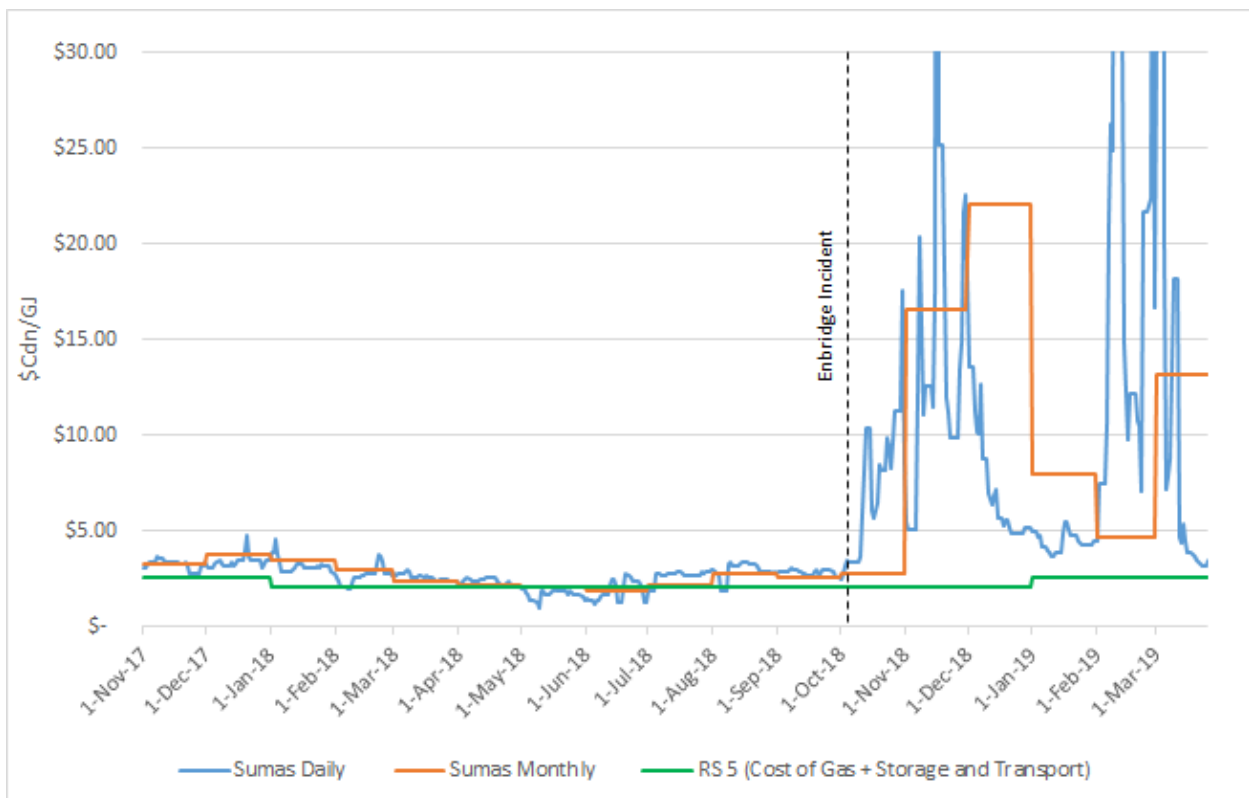
March. Of these seasonally available total firm capacities, 105 MMcf/day is available from the Kingsvale interconnect with FEI's Southern Crossing Pipeline.

2.5 Please update Figure 3 to include FEI's monthly Market Factor and the commodity-related charges in FEI's sales bundled rate schedules.

Response:

Please refer to table below, which updates Figure 3 with historical RS 5 Cost of Gas and Storage and Transport charges per GJ. The scale of the figure has been adjusted so that variations in the RS 5 rate can be clearly seen.

As discussed in the response to BCUC IR 1.1.4, it has not been necessary for FEI to charge a Market Factor, in addition to the Sumas Monthly Index, to any RS 46 customers. The purpose of including a Market Factor charge in addition to the Sumas Monthly Index Price in RS 46 was to recover incremental costs, if any, incurred in the procurement of incremental gas supply to service RS 46 customers; however, no such incremental costs have been incurred.

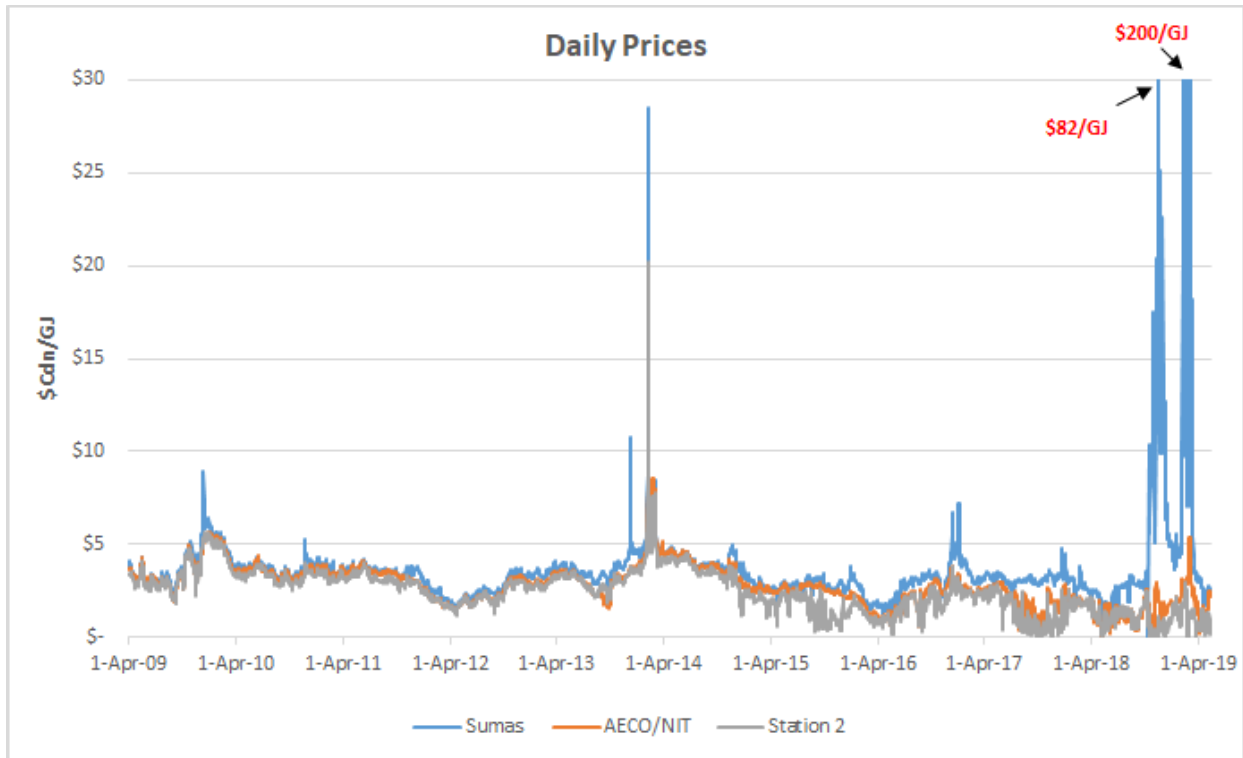


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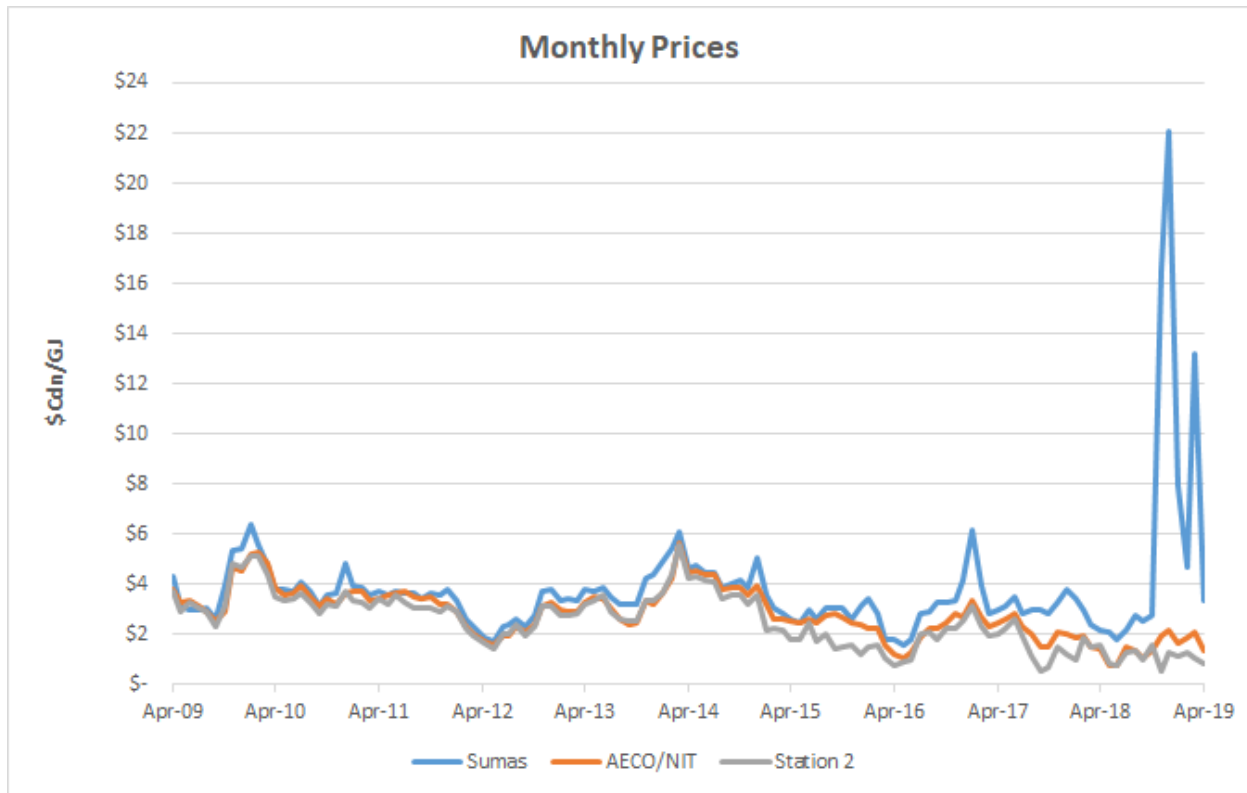
2.6 Please provide daily and monthly price graphs comparing the Sumas, AECO/NIT and Station 2 prices for the last 10 years.

Response:

The following figure provides daily prices comparing Sumas, AECO/NIT and Station 2 prices for the last 10 years:



The following figure provides monthly prices comparing Sumas, AECO/NIT and Station 2 prices for the last 10 years:



2.6.1 Please provide the monthly price correlation between Sumas and AECO/NIT and Sumas and Station 2 over the last 10 years.

Response:

The table below shows the monthly correlation between Sumas and AECO/NIT and Sumas and Station 2 over the last 10 years:

	<i>Sumas</i>	<i>AECO/NIT</i>	<i>Station 2</i>
Sumas	1.00		
AECO/NIT	0.19	1.00	
Station 2	0.09	0.95	1.00

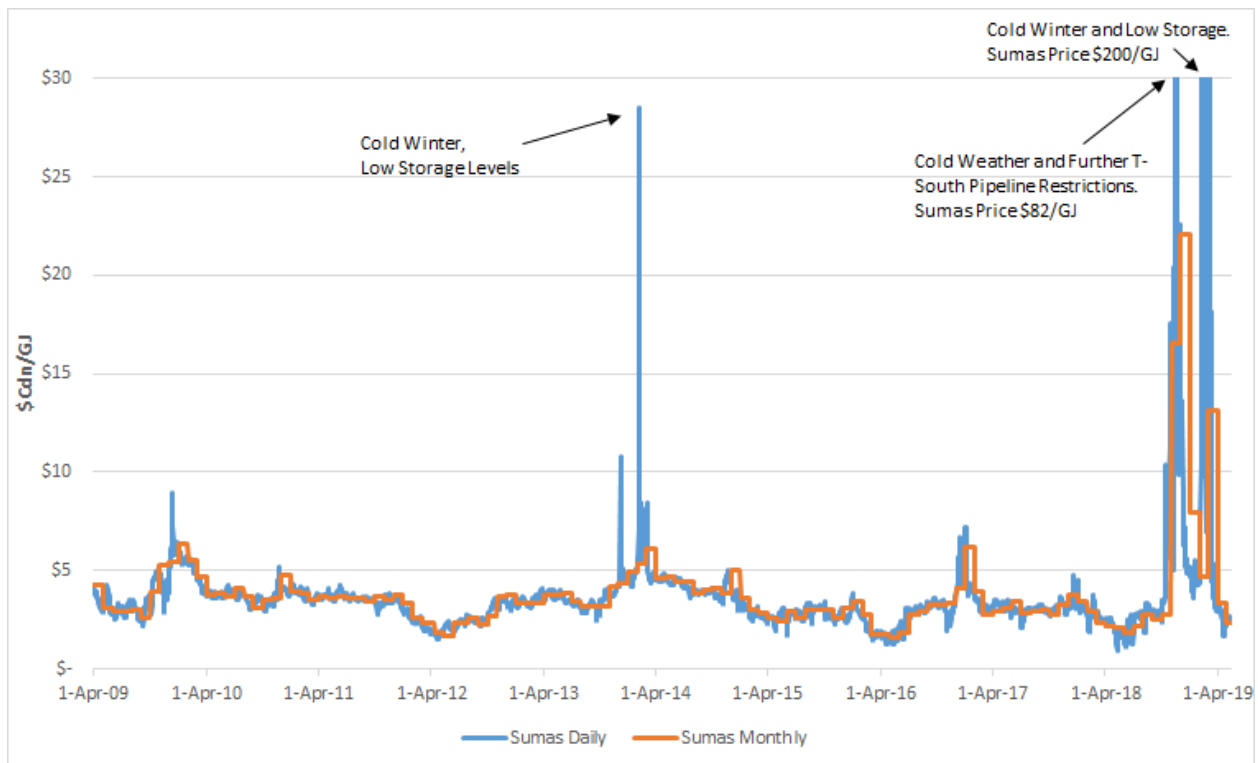
The conclusion from the correlation analysis shows that Sumas and AECO/NIT are slightly correlated (0.19) and Sumas and Station 2 are weakly correlated (0.09). The table also shows that AECO/NIT and Station 2 are highly correlated (0.95).

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2.7 Please provide a graph that displays the volatility observed at the Huntington/Sumas hub for Sumas daily and monthly prices over the last 10 years.

Response:

The figure below displays the volatility observed at the Huntington/Sumas hub for Sumas daily and monthly prices over the last 10 years:



2.8 Has Enbridge provided FEI with any updates on the status of the T-South pipeline, including any estimates of when the pipeline may be able to run at full operating pressure? Please elaborate.

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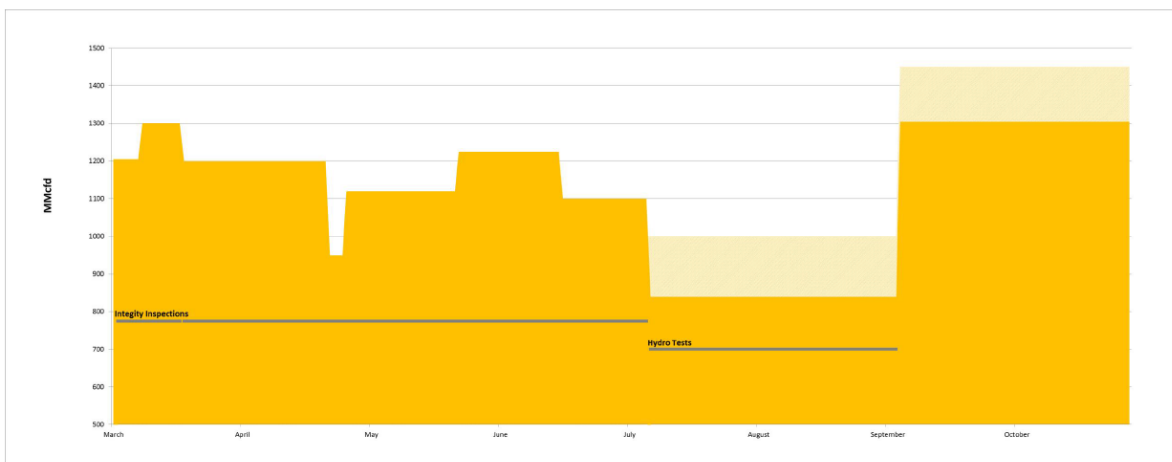
1 **Response:**

2 FEI only has knowledge of the publicly released information from Enbridge regarding the
3 Westcoast T-South system restoration. Westcoast Critical Notice #51556, BC Pipeline 2019
4 Outage Forecast released on February 15, 2019, provides T-South operational capacity through
5 Compressor Station 4B South between March 1 and October 31, 2019, and indicates timelines
6 for Integrity Inspections and Hydro Tests (below). Additionally, NEB Order NB-001-2018
7 (Amendment No. 2) issued on November 16, 2018, requiring a Reduced Operation Pressure
8 (ROP) of 85 percent, expires on August 15, 2019.

9 Westcoast T-South firm contracted capacity through Compressor Station 4B South is 1,566
10 MMcf/day between April-October, and 1,726 MMcf/day between November-March. The figure
11 below is illustrative for planning purposes only as the actual daily authorized capacity fluctuates
12 based on operating conditions and pipeline requirements. Using October as an example, based
13 on the restoration work requirements, the Station 4B South planned capacity could be as low as
14 1,300 MMcf/day (83 percent of firm) and as high as 1,450 MMcf/day (93 percent of firm).

15 Although it appears that Enbridge is working toward Maximum Operating Pressure (MOP)
16 restoration to 100 percent by November 1, 2019, there are critical path objectives to be
17 achieved to reach this target including: successful completion of inline inspections, integrity digs
18 and hydro tests, the Enbridge engineering approval process, and the NEB engineering
19 assessment approval. Extraneous factors could also include limitations on site accessibility due
20 to asset proximity during BC wildfire season, as well the requirement for regular annual
21 maintenance completion.

2019 T South – Station 4B South Capacity



Capacity impacts shown on graph are inclusive of all known planned work in addition to the significant Integrity work noted above
Station 4B constraint group will continue to be utilized for 2019 unless otherwise communicated
Light shaded areas represent contingency due to high degree of uncertainty and will be adjusted when plans are finalized

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3.0 Reference: AMENDMENT TO THE RS 46 COMMODITY RATE

Exhibit B-2, Background, pp. 2–3;

**Exhibit B-2, The Proposed Solution – Amendment to RS 46
Commodity Rate, pp. 7–9;**

**Amendment to RS 46 Commodity Rate and Approval of Tariff
changes**

On pages 2 and 3 of the April 2019 Application, FEI states:

At this time, RS 46 customers do not have a similar bundled sales service option available whereby FEI manages their commodity supply requirements and costs through FEI's commodity portfolio....

RS 46 customers typically do not have the operational flexibility to reduce, delay, or stop service if fuel costs increase. For most RS 46 customers, their business operations require them to provide continuous service to their customers.

On page 7 of the April 2019 Application, FEI states:

FEI is proposing to amend the commodity charges in RS 46 to align with the commodity-related charges in FEI's sales service bundled rate schedules. The proposed amendments are intended to align with the bundled service expectation of RS 46 customers, to more accurately reflect how FEI actually purchases the commodity for RS 46, and to address concerns about Huntingdon/Sumas price volatility... Based on a review of the current demand profile of FEI's bundled sales service rate schedules, the aggregate demand profile of RS 46 customers at current demand levels is most similar to the demand profile of RS 5 – General Firm Service customers...The proposed amendments more accurately reflect how FEI actually purchases and manages the commodity for RS 46 customers through its portfolio in the ACP.

3.1 Please discuss how FEI determined that the aggregate demand profiles for RS 46 customers were most similar to RS 5 customer demand profiles.

Response:

As part of its review, FEI considered the characteristics of its customer classes under bundled sales service rate schedules (i.e., Rate Schedules 1 through 7) in comparison to RS 46 customers. While all of these rate schedules have the same gas commodity cost, they do have varying storage and transport costs. When considering which storage and transport cost is most applicable to RS 46, FEI considered the demand profile along with other characteristics

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such as annual demand, customer type and nature of service required. A summary of FEI's analysis is as follows:

- RS 1 is for residential service and, therefore, not an appropriate comparator.
- RS 2 and 3 are for small and large commercial service, respectively, and are typically used to provide service to relatively small volume and low to medium load factor customers. RS 46 customers are not similar to RS 2 and 3 customers on either measure.
- RS 4 (Seasonal Firm Gas Service) and RS 7 (General Interruptible Service) customers are not similar in their load profiles or the nature of their service to RS 46.
- RS 6 (Natural Gas Vehicle Service) is for delivery of gas to customers (typically fueling station customers) that provide Compressed Natural Gas (CNG) dispensing service to vehicles. Although these customers generally have a fairly flat load profile, they are typically much smaller users of natural gas than RS 46 customers.
- RS 5 (General Firm Service) customers are typically larger commercial customers or small industrial customers. The customers can vary widely in their annual throughput and can have load profiles that vary from fairly flat loads year-round to loads with moderately higher winter demand.

Based on these considerations FEI concluded that, at its current stage of development, RS 46 in aggregate is most similar to RS 5.

3.2 Please provide a demand profile comparison of RS 46 and RS 5 customers.

Response:

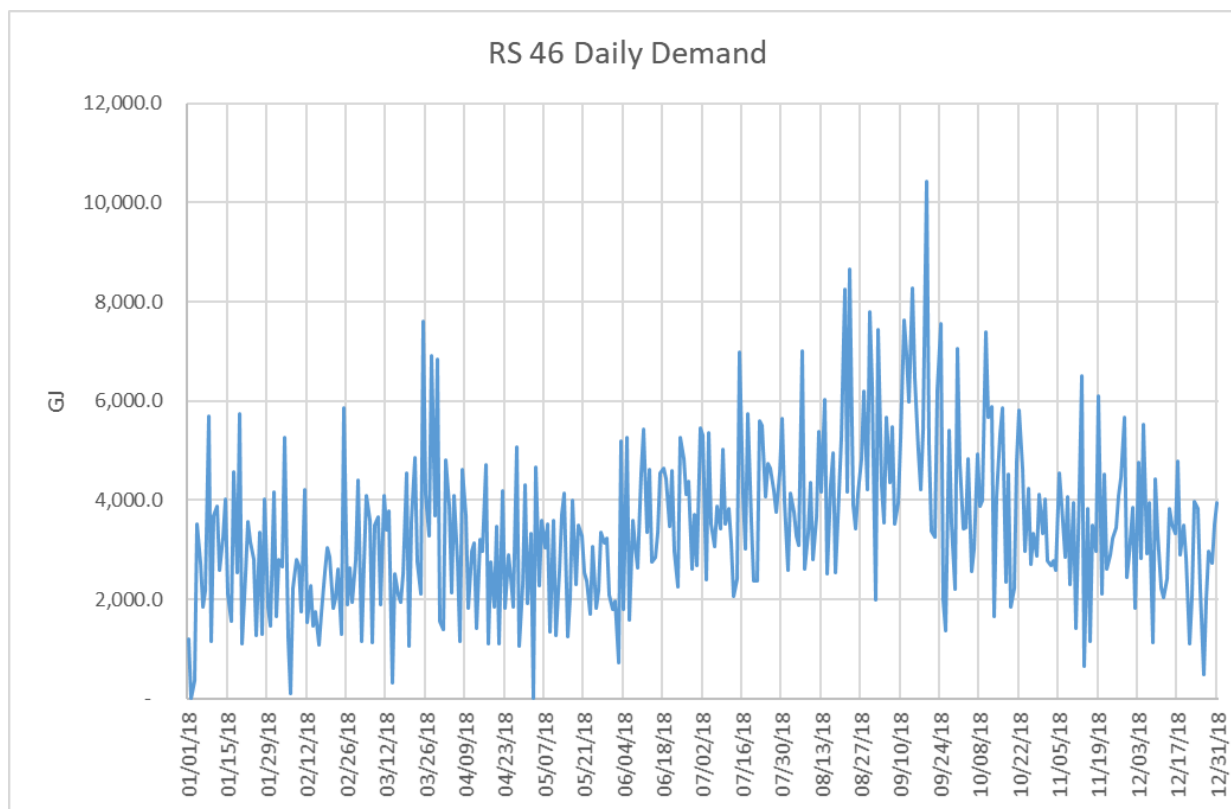
FEI has provided a demand profile for RS 46 and RS 5 below. Both graphs show the demand (Y axis) by date (X axis). It is important to note that the aggregate demand graph for RS 46 reflects the influences of growth in RS 46 service in addition to the curtailment of LNG Spot service in the fourth quarter of 2018. These factors make comparison at this aggregated level difficult despite the similarities in customer characteristics noted in the response to BCUC IR 1.3.1.

As discussed in response to BCUC IR 1.3.1, FEI considered various customer qualities such as annual volumes and nature of service requested in addition to load profile in determining that

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1 RS 5 is the appropriate rate schedule to adopt as the basis for the RS 46 commodity charges.³
2 While RS 46 demand is fairly flat over the year, there are large day-to-day variations, as low as
3 zero and as great as 10,000 GJ. Comparatively, RS 5 has lower day-to-day variations in
4 demand, but varies month-to-month through the year with a high of approximately 20,000 GJ
5 and a low of approximately 5,000 GJ. Whether the variation is day-to-day or month-to-month,
6 the variation is reasonably similar which support viewing RS 5 as the logical comparator.

7 **Figure 1: RS 46 Demand Profile⁴**



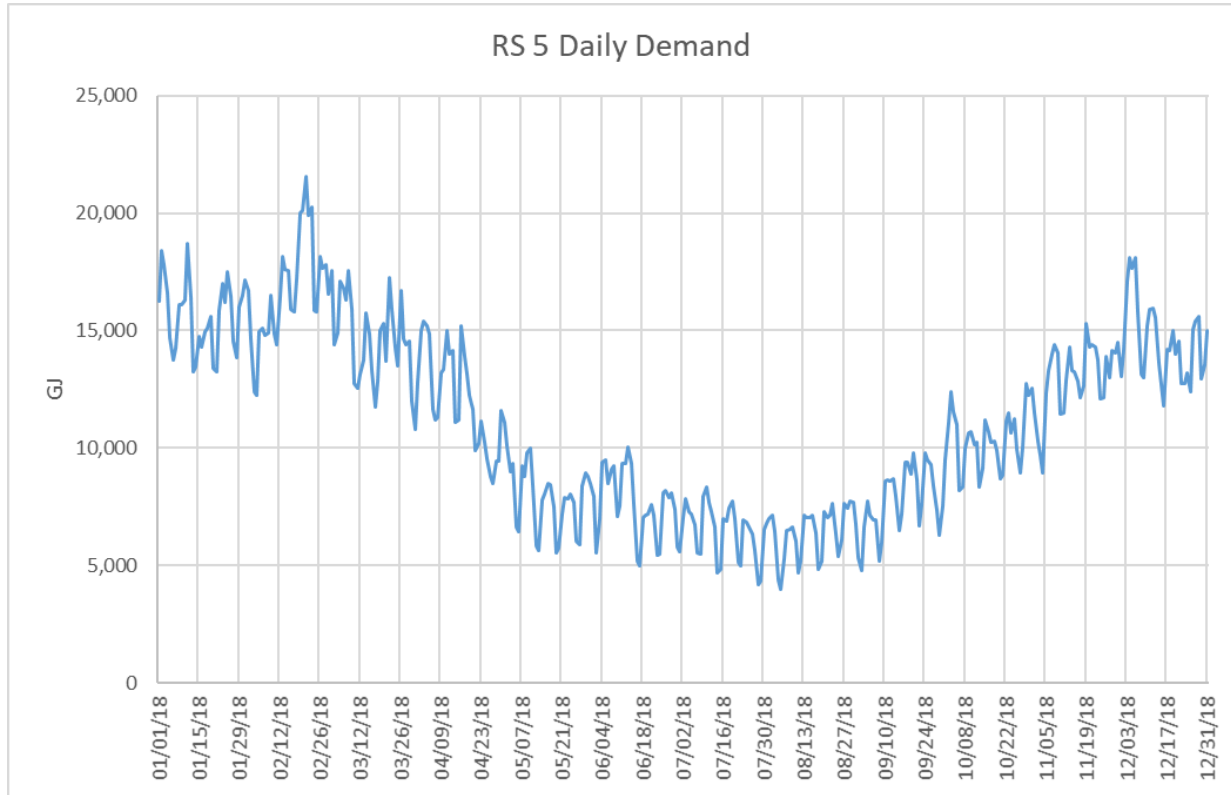
³ If RS 46 customers had been seeking conventional natural gas service rather than LNG service they would most likely have been customers in RS 5 or in RS 25 (RS 5's corresponding transportation service rate schedule.)

⁴ The apparent decrease in RS 46 demand in the last couple of months of 2018 is due to reduced demand and curtailments following the Enbridge incident and not to decreased customer interest in RS 46.

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Figure 2: RS 5 Demand Profile



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3.2.1 Please provide the criteria used by FEI to establish if a customer is classified as RS 46 or RS 5.

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Response:

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The criteria used for determining the appropriate rate schedule for which a customer takes service is the type of service (residential, commercial, industrial), the characteristics of their service needs (volume requirements, end-use for the gas [heating, hot water, cooking, process loads, etc.]), and available rate schedule alternatives (bundled service, transportation service, interruptible service, seasonal service, etc.). RS 46 is FEI's only rate schedule providing LNG service. RS 5 is for General Firm Service and provides a bundled commodity and delivery natural gas service to customers that are typically larger commercial or small industrial customers. The defining difference, therefore, is that RS 46 customers receive their natural gas in a liquefied state at FEI's LNG facilities while RS 5 customers receive natural gas in a gaseous state through FEI's distribution system pipelines direct to the customers' business/facility

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location or premise. As such, service under RS 46 and RS 5 are distinct, and a customer who requires LNG service cannot take service under RS 5.

3.3 Please discuss the differences between the ways in which FEI actively manages the commodity supply for RS 46 customers through the ACP compared to the Market Factor that FEI applies to the current RS 46 tariff.

Response:

The commodity supply for RS 46 customers is procured through the ACP using Station 2 and AECO/NIT market supply hubs. FEI procures the necessary resources in the ACP using a forecast of RS 46 demand (together with the forecast demand of the other sales rate schedules). The commodity rate in RS 46 set at the Sumas Monthly Index Price has been simply a commodity rate calculation unrelated to how the commodity supply was and is procured in the ACP.

Please also refer to the response to BCUC IR 1.1.4.

3.4 Please explain if amending the RS 46 commodity charges from a market-based charge to the charges in bundled rate schedules impacts FEI's ACP.

Response:

There is no impact to FEI's ACP resulting from the proposed change in commodity charges for RS 46. FEI procures physical supply and resources from the Station 2 and AECO/NIT market hubs under normal conditions. The commodity charge structure for RS 46 is a rate-setting mechanism that collects revenue but, in its market-based index form, the revenue collected has no direct relationship to the costs to procure the commodity. The proposed amendments more accurately reflect how FEI actually purchases and manages the commodity for RS 46 customers through its portfolio in the ACP. FEI's ACP supply resources include Station 2 and AECO/NIT. FEI procures both Monthly and Daily Index Priced supply at these market hub locations. In practice and under normal market conditions, FEI does not procure Huntingdon/Sumas supply in the ACP for RS 46 or other customers, nor has FEI included a Market Factor in the RS 46 commodity rate setting calculation.

Please also refer to the response to BCUC IR 1.1.4.

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3.4.1 If yes, please explain how.

Response:

Please refer to the response to BCUC IR 1.3.4.

3.5 Please provide an estimate of the number of RS 46 customers that will take RS 46 service under the proposed commodity-related bundled rate schedule.

Response:

As stated in response to BCUC IR 1.1.1, FEI provided service to a total number of 25 RS 46 customers in 2018. Of these 25 customers, 9 took service on a firm basis and 16 customers took service on a spot basis.

In 2019, FEI expects to provide firm service under RS 46 to at least 7 customers and spot service to a similar number of customers as in 2018 (16). None of these customers are expected to meet the current volume threshold required to manage their own gas commodity, either directly or through a gas marketer, therefore the Company expects that if the volume threshold required for customers to manage their own gas commodity remains as is, all of the customers served under RS 46 in 2019 will use the proposed commodity-related bundled rate schedule if it is approved.

3.6 Please provide an estimate of the number of RS 46 customers likely to use a gas marketer under the proposed commodity-related bundled rate schedule.

Response:

As noted in the response to BCUC IR 1.3.5, all of the customers that FEI expects to serve under RS 46 in 2019 will use the proposed commodity-related bundled rate schedule if it is approved, as they do not meet the volume threshold in RS 46 required in order for a customer to procure gas commodity on their own or through a gas marketer.

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1 Currently, the volume threshold under RS 46 required for a customer to elect to procure their
2 gas commodity on their own or through a gas marketer is set at 1,825,000 GJ per year on a firm
3 basis. This equates to 5,000 GJ per day of firm demand commitment under RS 46. At present,
4 FEI does not have any RS 46 customers that exceed this demand threshold on a firm basis and
5 thus does not expect to have any RS 46 customers use a gas marketer under the proposed
6 commodity-related bundled rate schedule. FEI is not opposed to considering an adjustment to
7 reduce the volume threshold which would allow more RS 46 customers to annually elect, as is
8 done with FEI's Transportation Service rate schedule, to procure and supply their commodity on
9 their own or through a gas marketer.

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13 3.7 Please confirm, or explain otherwise, that the proposed changes could affect
14 FEI's aggregate demand forecast.
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16 **Response:**

17 The proposed changes would not affect FEI's aggregate demand forecast. Supply to serve RS
18 46 demand is already included within the Annual Contracting Plan, which forecasts core (RS 1-7
19 and 46) customer requirements, and is reviewed by the BCUC annually. FEI would continue to
20 procure gas supply at the Station 2 and AECO/NIT market hubs in order to meet the overall
21 requirements of the ACP.

22 To be clear, FEI is not proposing to group RS 46 customers with FEI's current RS 5 bundled
23 customers. Rather, FEI is seeking approval to base the commodity-related charges for gas
24 supply that FEI procures and delivers to RS 46 customers to the same commodity-related
25 charges that FEI applies to its current RS 5 bundled customers.

26 Because RS 46 demand is already included in FEI's ACP, the proposed changes would not
27 affect FEI's aggregate demand forecast.

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31 3.8 Please discuss if aligning the commodity charges in RS 46 with the commodity-
32 related charges in FEI's sales service bundled rate schedules reduce the ability
33 for large LNG customers to receive appropriate price signals and reduce demand
34 in times of system shortage.
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1 **Response:**

2 As the Sumas monthly price index is not aligned with the way in which FEI procures gas for RS
3 46 customers, the price signals being sent to RS 46 customers using a Sumas monthly price
4 index do not coincide with the actual times of system shortage and, therefore, do not reflect
5 times when LNG customers should be reducing demand. Aligning the commodity charges in
6 RS 46 with the commodity-related charges in FEI's sales service bundled rate schedules, as
7 FEI has proposed, will result in RS 46 customers receiving commodity-related price signals on a
8 similar basis as FEI's other industrial sales customers.

9 As noted on page 6 of the Application, FEI believes that continued exposure to commodity price
10 volatility of the degree observed in recent months puts at risk the ability and willingness of RS
11 46 customers to pursue further adoption of LNG vehicles, vessels, and equipment. Also, as
12 noted on page 8 of the Application, FEI believes the improved stability offered by adopting the
13 commodity-related rate structure of FEI's sales service bundled rate schedules will help to
14 promote the development, adoption, and continued use of LNG in transportation applications.
15 Finally, as noted in the response to BCUC IR 1.5.2.1, customers are supportive of the proposed
16 changes in the Application.

17 If the existing commodity rate structure is left unchanged, it would ultimately be counter-
18 productive and detrimental to the longer term success of the growth in the use of LNG supplied
19 by FEI in the transportation sector in BC and globally. Relying on market-based price signals,
20 particularly at a relatively small and illiquid market hub such as Sumas, which has recently
21 shown significant volatility, is not supportive of the provincial government's climate policies and
22 objectives to reduce greenhouse gas emissions through encouraging the further adoption of
23 natural gas as an alternative fuel to higher carbon fuels.

24 Generally speaking, RS 46 customer demand is inelastic, which means even when fuel prices
25 are uneconomic, customers still require fuel to operate their businesses. So rather than a price
26 signal encouraging conservation, a market-based price in market conditions of extreme price
27 volatility would result in RS 46 customers being faced with escalating operating costs and
28 serious budget management issues.

29 FEI believes a better approach to managing RS 46 demand levels during supply constraint
30 situations is for the Company to work proactively and constructively with its RS 46 customers to
31 manage through such situations, as was the case this past winter.

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35 3.8.1 In FEI's view, could a customer be incentivised to arbitrage between a
36 lagged FEI commodity rate and the spot price, if FEI's proposals to

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change from the current market- based commodity RS 46 rate to the commodity-related charges in the bundled rate schedules are approved? Please discuss.

Response:

The proposed change from a market-based commodity price in RS 46 to the commodity-related charges in the bundled rate schedules does not provide any incentive or opportunity to arbitrage between a lagged FEI commodity rate and the spot price.

Currently, no RS 46 customers meet the volume requirements to provide their own gas commodity (or through a marketer/shipper agent). However, for customers that could qualify to do so, they would be subject to the same rules as Transportation Service customers. Transportation Service customers are required to make an annual election to provide their own commodity in advance of the gas year. Once their election is made, they are committed to that service option for the entire gas year (November 1 of the current year to October 31 of the following year). Once per year, Transportation Service customers have the opportunity to review their service and either choose to remain on Transportation Service or move to FEI providing and managing their commodity supply.

As such, RS 46 customers would not have the opportunity to frequently switch back and forth from the proposed bundled rate schedule commodity-related charges and the Transportation Service option in RS 46. Consequently, there is no opportunity or incentive for RS 46 customers to arbitrage between a lagged FEI commodity rate and the Sumas market spot price.

3.8.2 Please discuss the impact, if any, on FEI's supply resources in this event.

Response:

As discussed in the response to BCUC IR 1.3.8.1, an arbitrage opportunity does not exist. As such, there is no impact on FEI's supply resources.

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3.8.3 Please explain how FEI could mitigate the effects on FEI's supply
resources in this event.

Response:

Please refer to the responses to BCUC IRs 1.3.8.1 and 1.3.8.2.

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4.0 Reference: AMENDMENT TO THE RS 46 COMMODITY RATE

Exhibit B-2, Appendix C, Table of Charges

Spot Charge and Approval of Tariff changes

In Appendix C - Table of Charges of the April 2019 Application, FEI states the following:

2019 LNG Spot Charge **\$ 5.17/GJ**

**LNG Facility Charges, Electricity
Surcharges, and LNG Spot Charges for 2020
and thereafter** **Per Note 3**

4.1 Please explain what the LNG spot charge is.

Response:

The LNG Spot Charge is the charge per GJ for service under Spot LNG Service.⁵ The LNG Spot Charge is explained in Note 3(1)(c) on page R-46.22 of Rate Schedule 46 (Due to renumbering from the proposed revisions, this becomes Note 4(1)(c) once approved). The LNG Spot Charge is the sum of three items:

1. the current LNG Facility Charge,
2. the current Electricity Surcharge, and
3. a spot premium of \$0.25 per GJ.

The LNG Spot Charge does not include commodity costs.

Spot LNG Service is explained further in section 3.4 of Rate Schedule 46, where it is defined as the lowest priority LNG Service and is conditional based on the availability of sufficient capacity remaining after deducting the Contract Demand from all LNG Agreements for Long-Term LNG Service and Short-Term LNG Service from the Available LNG Capacity. FEI is under no obligation to reserve or set aside Available LNG Capacity for either new or existing Spot LNG Service customers. A Customer may request Spot LNG Service without contracting for Long-Term LNG Service or Short-Term LNG Service.

⁵ Both LNG Spot Charge and Spot LNG Service are defined terms in RS 46. LNG Spot Charge is definition (r) and Spot LNG Service is definition (aa).

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4.1.1 Please explain how the LNG spot charge is calculated.

Response:

Please see BCUC IR 1.4.1 for a definition of the LNG Spot Charge. The LNG Spot Charge is calculated as \$0.25/GJ greater than the sum of the LNG Facility Charge and adjusted Electricity Surcharge, as adjusted under Notes 3(1)(a) and (b) of the RS 46 Tariff.

The Table of Charges for LNG Service includes:

1. a 2019 LNG Facility Charge (a) of \$3.94/GJ,
2. the 2019 Electricity Surcharge (b) of \$0.98/GJ, and
3. the spot premium of \$0.25/GJ

To determine the 2019 LNG Spot Charge, sum \$3.94/GJ, \$0.98/GJ and \$0.25/GJ. The result is \$5.17/GJ.

4.1.2 Please explain how a spot charge can be fixed for 2019 when a spot market is for immediate delivery of a commodity.

Response:

The 2019 LNG Spot Charge refers to FEI’s “spot” service offering (which is fixed for 2019) and not to the commodity price (which is not fixed). The LNG Spot Charge is for the “spot” service of liquefying natural gas without committed volumes, is only available if FEI has available LNG capacity, and does not include the cost of the natural gas commodity. In this case, the spot charge only relates to the Spot LNG Service (as defined in Rate Schedule 46) where LNG is sold to a customer without a long-term contract, and establishes the price or charge for that LNG Spot Service. As such, the LNG Spot Charge can be fixed just as are other rates in rate schedules approved by the BCUC. In other words, the LNG Spot Charge has no relationship to the term “spot” as used in relation to commodity markets.

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4.2 Could a fixed LNG spot charge lead to a spot customer arbitraging between the quoted 2019 LNG spot charge and the spot price in the market? Please discuss.

Response:

No, arbitrage is not possible. As discussed in response to BCUC IR 1.4.1, the 2019 LNG Spot Charge is a fixed charge for LNG Spot service. The LNG Spot Charge is for liquefaction and storage and does not include commodity, which is an additional charge over and above the LNG Spot Charge based on the approved commodity charges in RS 46 (which are the same commodity charges for spot or firm service).

4.2.1 Please discuss the impact, if any, on FEI's supply resources in this event.

Response:

Please refer to the response to BCUC 1.4.2. There is no impact on FEI's supply resources as Spot LNG Service is not a firm service, and FEI has no obligation to offer the service unless FEI determines there is sufficient levels of Available LNG Capacity.

4.3 Please confirm, or explain otherwise, that LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter should refer to Note 4 in the Tariff and not Note 3.

Response:

Confirmed. FEI inadvertently neglected to update the reference from Note 3 to Note 4 in the proposed revisions to the RS 46 Tariff. Please refer to Attachment 4.3 for the corrected blacklined and pro forma Tariff page.



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1 4.3.1 If confirmed, please provide a corrected version of the Tariff page.

2

3 **Response:**

4 Please refer to the response to BCUC IR 1.4.3, Attachment 4.3.

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5.0 Reference: AMENDMENT TO THE RS 46 COMMODITY RATE

Exhibit B-2, The Proposed Solution – Amendment to RS 46 Commodity Rate, pp. 6, 8

Exhibit B-1, (March 2019 Application), Conclusion, p.2;

Exhibit B-1, Appendix B - Rate Schedule 46 Tariff, Section 5.2;

RS 46 Customer concerns and FEI communication

On page 6 of the April 2019 Application, FEI states:

[W]ith the significantly higher and fluctuating commodity prices these customers have experienced since the T-South Incident, RS 46 customers have raised significant concerns regarding the financial impact to their operations arising from their ongoing exposure to commodity cost volatility.

On page 8 of the April 2019 Application, FEI states:

[T]he proposed amendments to align the commodity rate structure of RS 46 with that of a firm bundled sales service offering, such as RS 5 which includes FEI-managed commodity charges, more accurately reflects the nature of the service which RS 46 customers expect and require. If any large-volume RS 46 customers wish to manage their own commodity portfolio, RS 46 will continue to have provide such customers with the option to choose transportation service.

5.1 Please provide a summary of feedback from RS 46 customers received by FEI in relation to their concerns around Sumas volatility.

Response:

Subsequent to the Enbridge pipeline incident in October 2018, and the sudden increase in the Sumas Monthly Index in November and in subsequent months, FEI proactively reached out to all domestic RS 46 customers that had firm contracts (spot customers were curtailed) to apprise them of the increase in the price and the reason for the increase. FEI employees responded to emails and fielded telephone calls from these customers answering each customers' questions and concerns.

The feedback received from the domestic RS 46 customers with firm contracts included a mixture of great concern, confusion and general unfamiliarity with natural gas price dynamics. In one case, a customer conveyed verbally that the increase in the value of natural gas commodity at Sumas had put the very existence of that customer's business in jeopardy. In some cases, customers expressed the view that the value of natural gas commodity at Sumas was being manipulated by market players in order to maximize those players' profits. Another customer apprised FEI of the negative impact to the economic business case of operating LNG

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1 fueled marine vessels and that operating on diesel fuel would be the outcome if natural gas
2 prices continued to remain at elevated levels for an extended period of time. By way of
3 example, the text of an email from a large domestic RS 46 customer with the customer name
4 redacted is provided below:

5 *“Good afternoon Doug and Sarah,*

6 *Since the unfortunate Enbridge pipeline explosion in Shelley, British Columbia in early*
7 *fall 2018, [REDACTED] has remained patient and weathered the rocky roller coaster of the*
8 *Sumas Price index but with the upward movement of the Sumas Index for March 2019*
9 *@ \$13.164 / GJ, I am now forced to evaluate the viability of natural gas as a sustainable*
10 *fuel for our fleet as [REDACTED] has expensed out approximately 595,000.00 in additional*
11 *Natural Gas costs related to commodity prices over the months of November, December*
12 *2018 and January 2019.*

13 *In trucking, most companies would be out of business if faced with such an extreme*
14 *expense increase.*

15 *I’m well aware of the inputs which make up and impacts the hubs pricing – unfortunately,*
16 *it just doesn’t all resonate with me as my interpretation of what’s making a significant*
17 *impact to the hub is simple, traders are using and manipulating the hub to benefit paper*
18 *and financial gains based on speculation verses reality for the better part.*

19 *The net result of where the hub is trading and its volatility in recent months is simply not*
20 *sustainable longer term for my business financially and is placing significant strain on the*
21 *relationships I have with my customers.*

22 *In 2010 when [REDACTED] made the decision to transition to Natural Gas as its base fuel*
23 *the single most critical factor for consideration at the time was the stability of Natural*
24 *Gas pricing as a commodity vs. Diesel Fuel.*

25 *That single most critical factor was not just monetized but most importantly the historical*
26 *stability of Natural Gas pricing brought confidence to my customer base that they would*
27 *stability to the management of their businesses – Today this is not the case.*

28 *As part of my due diligence, I am seeking your input on what possible solutions may be*
29 *available to assist [REDACTED] and its customer base in protecting itself from the current*
30 *issue at hand?*

31 *I realize your hands are tied as it relates to the commodity price, but is there any*
32 *possibility for RS46 to be amended to protect a company like [REDACTED]? [REDACTED] truly*
33 *has no alternative, all [REDACTED] eggs are in one basket with no ability to switch to an*
34 *alternative fuel source no different than the majority of residential home owners yet I*
35 *know my personal home invoice has not been impacted by the hub’s volatility.”*

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Tariff Changes to Rate Schedule (46 (RS 46) – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (the Application)	Submission Date: May 16, 2019
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FEI received similar feedback and sentiments from on-road LNG trucking customers that operating on diesel would be more cost-effective and that LNG trucks could potentially be parked until natural gas prices moderated back to pre-Enbridge incident levels.

These interactions with RS 46 customers reinforced the need to explore and seek approval of alternative pricing structures and mechanisms to avoid the impacts of gas supply disruptions at the Huntingdon/Sumas market hub.

For the international market for LNG from FEI's facilities, Sumas' vulnerability was exposed to international RS 46 customers, which raised significant questions and concerns. These international RS 46 customers became wary of considering FEI for their LNG needs. Price reliability and predictability is a key consideration for international customers when considering LNG suppliers. The timing of the Enbridge pipeline incident and the subsequent increases for the Sumas Monthly Index coincided with the peak winter demand season for international customers. Inflated Sumas prices, as well as price unpredictability, proved to be not worth the risk for international customers, and international RS 46 customers procured LNG from other supply markets for the period of elevated Sumas prices. Current and prospective international RS 46 customers remain concerned about Sumas volatility and vulnerability.

5.2 Please discuss if FEI has communicated its proposals to change the current RS 46 rate from the Sumas Monthly Index Price to the charges in bundled rate schedules with RS 46 customers.

Response:

Yes. FEI reached out proactively by telephone in advance of filing the application to most of its domestic RS 46 customers to communicate the proposal to change the commodity component to the proposed approach. In addition, in response to BCUC order G-95-19, FEI emailed the application and approval of interim rates to all RS 46 customers. Further, FEI held a conference call for RS 46 customers on Friday, May 10, 2019, to answer any questions that customers might have about the proposed changes. Ledcor, Seaspan and BC Ferries participated in the call.

5.2.1 Have any RS 46 customers provided a response to these proposals?
Please provide a summary of feedback received.

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Tariff Changes to Rate Schedule (46 (RS 46) – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (the Application)	Submission Date: May 16, 2019
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1

2 **Response:**

3 Yes, RS 46 customers have provided feedback.

4 FEI received questions in response to FEI's proposals from Seaspam Ferry Corporation (SFC),
5 which came via email. SFC requested a historical look at what gas costs would have been
6 under the proposed RS 46 commodity rates based on RS 5 charges versus the status quo of
7 gas costs under the Sumas market hub prices to date. This information was provided to SFC by
8 FEI. In their email, SFC also asked about the potential to maintain the option of selecting the
9 Sumas Monthly Index or the proposed RS 46 commodity rate. This question was discussed
10 during the conference call held on May 10, 2019. FEI conveyed to the customers on the call
11 that the option for customers to manage their own commodity using a gas marketer remains
12 available to customers (provided they meet the minimum volume requirements) under the
13 proposed amended RS 46 and that FEI is amenable to lowering the volume threshold that
14 customers would need to meet in order to access this option. There were questions from
15 customers as well about the elements that make up the "storage and transport" component of
16 the proposed RS 46 commodity-related charges, and FEI committed to adding a definition in the
17 tariff to clarify the elements included in the "storage and transport" component. FEI also
18 encouraged the customers that participated in the conference call on May 10 to offer comments
19 and questions in Letters of Comment to the BCUC. The customers that participated in the call
20 on May 10 expressed support for the Application and the approvals being sought.

21 FEI has also received a letter of support for the proposed change from Vedder Transportation
22 Group, the largest domestic on-road RS 46 customer. A copy of the letter is provided in
23 Attachment 5.2.1.

24 Although international RS 46 customers did not participate in the call on May 10, all
25 communications about the proposed changes have been positive and well received.
26 International RS 46 customers seek reliability, and the proposed changes satisfy this criterion.
27 To date, all current international RS 46 customers have signed Spot contracts, but have
28 indicated that the proposed changes, if approved, will significantly increase likelihood of the
29 international RS 46 customers signing firm contracts.

30

31

32

33

34

On page 2 of the March 2019 Application, FEI states:

<p style="text-align: center;">FortisBC Energy Inc. (FEI or the Company)</p> <p style="text-align: center;">Application for Approval of Tariff Changes to Rate Schedule (46 (RS 46) – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (the Application)</p>	<p style="text-align: center;">Submission Date: May 16, 2019</p>
<p style="text-align: center;">Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1</p>	<p style="text-align: center;">Page 35</p>

In anticipation of the expiration of these temporary tariff changes, in early March, FEI contacted the customers who participated in the SRP by email to advise them of FEI's intention to request that these temporary tariff changes be made permanent. FEI asked that these customers contact us if they had any concerns or issues with this approach. To date, no feedback has been received.

In the March 2019 Application Appendix B, FEI states:

If FortisBC Energy determines that curtailment under this Section is required, FortisBC Energy will curtail in the following manner:

(a) Spot LNG Service will be curtailed first.

(b) If further curtailment is required, then Customers that provide written notice to FortisBC Energy that they agree to be curtailed in whole or in part will be curtailed to the extent agreed to in their written notice.

(c) If further curtailment is required, then Short-Term LNG Service will be curtailed before Long-Term LNG Service. Short-Term LNG Service will be curtailed pro-rata based on Contract Demand.

(d) If further curtailment is required, then Long-Term LNG Service with a Contract Term of between five (5) and ten (10) years in duration will be curtailed pro-rata based on Contract Demand.

(e) If further curtailment is required, then Long-Term LNG Service with a Contract Term longer than ten (10) years will be curtailed pro-rata based on Contract Demand.

5.3 Please confirm that all customers have been made aware of the order of curtailment.

Response:

Confirmed. As part of the initial regulatory review process established by the BCUC in Order G-215-18 regarding the temporary tariff changes, FEI was directed to inform all RS 46 customers of the proposed changes to curtailment priority and provided a copy of that order and FEI's application for the temporary tariff changes. The above noted wording in items (a) through (e) under section 5.2 Curtailment of Dispensing Service, quoted in the preamble to this question, was approved by the BCUC in Order G-233-18.

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Tariff Changes to Rate Schedule (46 (RS 46) – Liquefied Natural Gas Sales, Dispensing and Transportation Service on a Permanent Basis, Effective April 1, 2019 and May 1, 2019 (the Application)	Submission Date: May 16, 2019
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1
2 5.3.1 If confirmed, please provide a summary of the feedback FEI has
3 received.
4

5 **Response:**

6 FEI has not received any further feedback from RS 46 customers on the order of curtailment
7
8
9

10 5.4 Please confirm whether any additional feedback has been received since the
11 filing of the March 2019 Application (i.e. March 21, 2019).
12

13 **Response:**

14 No additional feedback from RS 46 customers, beyond that described in response to BCUC IR
15 1.5.2 and 1.5.2.1, has been received since the filing of the March 2019 Application.
16
17

18
19 5.4.1 If confirmed, provide a summary of the feedback FEI has received.
20

21 **Response:**

22 Please refer to the response to BCUC IR 1.5.4.
23

Attachment 4.3

Table of Charges for LNG Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

2019 LNG Facility Charge \$ 3.94/GJ

A

2019 Electricity Surcharge \$ 0.98/GJ

A

Commodity Related Charges per Gigajoule

Deleted: Sumas Monthly Index Price¹ plus the Market Factor²

Storage and Transport Charge \$ 1.029/GJ

Rider 6 \$ (0.016)/GJ

Subtotal of Storage and Transport Related Charges \$ 1.013/GJ

A

Cost of Gas¹ (Commodity Cost Recovery Charge) \$ 1.549/GJ

Cost of Biomethane (Biomethane Energy Recovery Charge)^{2, 3} \$ 10.287/GJ

2019 LNG Spot Charge \$ 5.17/GJ

Deleted: Charge per Gigajoule of Biomethane supplied (if applicable)

LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter Per Note 4

Deleted: Current approved BERC rate

Deleted: 3

Storage and Transport Related Riders

Rider 6 **Midstream Cost Reconciliation Account** - Applicable to Mainland and Vancouver Island Service Area Customers, excluding Revelstoke, for the Year ending December 31, 2019.

Deleted: G-29-19A

Deleted: January

Deleted: February 8, 2019

Deleted: Original signed by Patrick Wruck

Deleted: Tenth

Order No.: Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: May 1, 2019 Accepted for Filing:

BCUC Secretary: Eleventh Revision of Page R-46.21

Table of Charges for LNG Service

All sales and service taxes, carbon tax and any future new taxes, are extra and shall be applied as applicable.

2019 LNG Facility Charge \$ 3.94/GJ

2019 Electricity Surcharge \$ 0.98/GJ

Commodity Related Charges per Gigajoule

Storage and Transport Charge \$ 1.029/GJ

Rider 6 \$ (0.016)/GJ

Subtotal of **Storage and Transport** Related Charges **\$ 1.013/GJ**

Cost of Gas¹ (Commodity Cost Recovery Charge) \$ 1.549/GJ

Cost of Biomethane (Biomethane Energy Recovery Charge)^{2, 3} \$ 10.287/GJ

2019 LNG Spot Charge \$ 5.17/GJ

LNG Facility Charges, Electricity Surcharges, and LNG Spot Charges for 2020 and thereafter Per Note 4

Storage and Transport Related Riders

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Order No.:

Issued By: Doug Slater, Director, Regulatory Affairs

Effective Date: May 1, 2019

Accepted for Filing: _____

BCUC Secretary: _____

Eleventh Revision of Page R-46.21

C/N/O

Attachment 5.2.1



May 6, 2019

Ms. Sarah Smith
Director, NGT, Regional LNG and RNG Supply
FortisBC

Re: *Amendment – Rate 5 Rates vs. Sumas Monthly (RS46)*

Dear Sarah,

I write this letter to commend FortisBC and the British Columbia Utilities Commission you're your forward-thinking approach and the proposed solution related to RS46 Transportation providers.

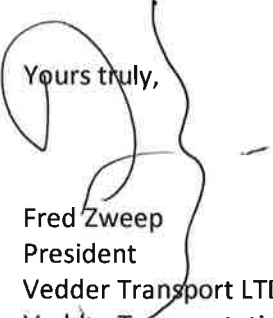
As a transportation provider under RS46, I am in favor of the amendment put forth to encompass RS46 users under classification of the Rate Schedule 5.

The recommended solution creates stability in commodity prices for transportation users and their end customers.

As you know transportation users are handcuffed under the current structure of RS46 due to the fact, transportation users have no alternative source of fuel when it comes to challenging times such as the volatility of the Sumas Hub of recent times.

Again, I applaud both FortisBC and the British Columbia Utilities Commission for the solution put forth.

Yours truly,


Fred Zweep
President
Vedder Transport LTD.
Vedder Transportation Group

Cc file