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August 23, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
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Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of Tariff Changes to Rate Schedule 46 – Liquefied Natural Gas Sales, Dispensing and Transportation Service for Commodity Rate Structure and FEI's General Terms and Conditions on a Permanent Basis, Effective May 1, 2019 (Application)

FEI Written Reply Comments

In accordance with British Columbia Utilities Commission (BCUC) Order G-186-19 amending the Regulatory Timetable, FEI respectfully provides the following reply comments.

In its letter dated August 15, 2019¹, Seaspan Ferries Corporation (Seaspan) submits that it continues to support FEI's Application and is confident that approval of the proposed amendments to RS 46 is appropriate. FEI has no objection to Seaspan's request for an opportunity to file a written submission in approximately 12 months' time assessing whether the tariff amendments are delivering the desired outcomes to RS 46 customers.

In its letter dated August 16, 2019², British Columbia Ferry Services Inc. (BC Ferries), submits that it also supports the tariff amendments changing the commodity structure. Further, with respect to the Transportation Service option, BC Ferries asks for the following clarifications:

1. We request that FEI provide, using BC Ferries' consumption data, an example illustrating how balancing of gas supplied works.
2. We request that FEI provide detailed information regarding how often, and in what quantities, gas is liquefied.
3. If FEI liquefies gas periodically and not on a daily basis, why does FEI propose daily balancing in the case of the transportation only service?

¹ Including the supplementary evidence filed by FEI on July 30 in Exhibit E-2-2.

² Exhibit E-3-2.

4. Notwithstanding the proposed changes to RS 46, will FEI provide assurance that customers will be able to negotiate contractual terms that reflect their unique circumstances?

The following are FEI's reply comments on these clarification requests.

1. *We request that FEI provide, using BC Ferries' consumption data, an example illustrating how balancing of gas supplied works.*

FEI expects that RS 46 customers electing the Transportation Service option to deliver daily supply requirements based on their expected schedule of LNG tanker deliveries. For example, if BC Ferries planned for 3 LNG tanker deliveries within a week at about 1,000 GJs per LNG tanker, FEI would expect the daily delivery to be roughly 430 GJs per day (1,000 GJs per tanker x 3 deliveries per week / 7 days per week). If the LNG tanker delivery schedule changes to a greater or lesser number of deliveries, FEI would expect the customer to adjust deliveries to FEI accordingly.

Generally, to maintain consistency of daily balancing principals, FEI would expect the customer to make best efforts to balance supply delivered to FEI's system and LNG tanker offtake as best as possible, with the goal of trending the imbalance to zero over time.

If an RS 46 customer elected the Transportation Services option, their appointed Shipper Agent or marketer may group their RS 46 customers with the Shipper Agent or marketer's other Transportation Service customers. In so doing, Shipper Agents/marketers may be able to better manage the supply and demand of all of their customers as a whole, while adhering to daily balancing rules and requirements.

2. *We request that FEI provide detailed information regarding how often, and in what quantities, gas is liquefied.*

FEI would liquefy LNG based on the quantity of LNG (i.e., demand) that is being dispensed to RS 46 customers, and the quantity of LNG that is needed for peak shaving. In addition, other factors that FEI would take into consideration are inventory levels and upcoming planned outages for plant maintenance that may impact LNG production schedules.

It is important to note that the daily balancing rules for the Transportation Services option are not tied directly to the LNG production schedule and are not intended to be. The LNG production schedule will depend on the primary factors outlined above; however, RS 46 customers that deliver natural gas to FEI's distribution system under the Transportation Services option should do so based on their LNG demand requirements as outlined in response to question 1 above.

3. *If FEI liquefies gas periodically and not on a daily basis, why does FEI propose daily balancing in the case of the transportation only service?*

As stated on page 2 of the Evidentiary Update, it would not be feasible to coordinate the shipping of a customer's gas on the system and FEI's operations of its LNG Facilities. Nor would it be feasible to attempt to link what LNG is required for future service to a particular

customer under RS 46 with a particular amount of natural gas being liquefied on a given day. Therefore, as discussed in the response to question 2 above, the daily balancing provisions are part of Transportation Service and are not intended to be tied to FEI's LNG liquefaction schedule. As indicated in the response to question 1, daily balancing provisions would apply to RS 46 customers to balance between the supply deliveries and the anticipated LNG offtake schedule, or their appointed Shipper Agent or marketer may group their RS 46 customers with other Transportation Service customers to balance the group as a whole.

Daily balancing provisions were approved by the BCUC in its Decision and Order G-135-18 regarding FEI's 2016 Rate Design application, after considering the evidence, which included information on unified fairness across all Transportation Service customers, common industry practice and the fact that FEI balances the system as a whole at the pipeline interconnect. Effective November 1, 2018, all Transportation Service customers in the Lower Mainland and Interior must adhere to daily balancing provisions³. In the interest of fairness and consistency, if RS 46 customers are to have an option to elect Transportation Service, that service must be consistent with and adhere to the same daily balancing provisions as all other Transportation Service customers do. Further, having the same Transportation Service terms and conditions, balancing rules and business practices, which apply to all of FEI's rate schedules, provides consistency all Transportation Service customers and participants.

4. Notwithstanding the proposed changes to RS 46, will FEI provide assurance that customers will be able to negotiate contractual terms that reflect their unique circumstances?

The contractual negotiations for RS 46 customers should not be any different from contracts negotiated for any other Transportation Service customers, given the daily balancing requirements as discussed above. Customers are at liberty to negotiate contractual terms as their business may require. FEI does not get involved with negotiations or service offerings that may be available from third parties such as Shipper Agents/marketers. As such, FEI is not in a position to provide the assurance BC Ferries is requesting.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

cc (email only): Registered Parties

³ Transportation Service customers in the Columbia region will adopt daily balancing provisions effective November 1, 2019.