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

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. Transportation Service Report ~ Project No. 1599346

We enclose for filing in the above proceeding the Final Argument of FortisBC Energy Inc, dated November 14, 2022.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by]

Christopher Bystrom*
*Law Corporation

Encl.

British Columbia Utilities Commission

FortisBC Energy Inc.
Transportation Service Report

Final Argument of
of
FortisBC Energy Inc.

November 14, 2022

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PART ONE: INTRODUCTION

1. FortisBC Energy Inc. (FEI) filed its Transportation Service Report (Report) on June 15, 2022, in accordance with British Columbia Utilities Commission (BCUC) Decisions and Orders G-135-18 and G-210-20. The Report reviewed and assessed the performance of the Transportation Service Model under the new and updated customer-balancing tariff terms, conditions and charges which were approved in Order G-135-18 (New Rules). The Report shows that the New Rules are working as intended by incenting shipper agents to appropriately manage their supply and demand requirements daily on FEI's system on behalf of their customers. FEI is not requesting any approvals in the Report. FEI submits that the BCUC should accept the Report and determine that no further action is required.

2. In Part Two of this submission, FEI makes the following points:

- FEI's Transportation Service Model, including the New Rules, were comprehensively reviewed as part of FEI's 2016 Rate Design Application (2016 RDA), and approved by the BCUC in Decision and Order G-135-18 (2016 RDA Decision).

- In its Decision and Order G-210-20 (BCGMC Complaint Decision), the BCUC heard and dismissed a complaint from a group of shipper agents, concluding, amongst other things, that the measurement information FEI provides to shipper agents is appropriate.

- FEI's Report is informed by extensive stakeholder consultation, including multiple meetings with shipper agents.

- FEI's Report fully responds to the directives from the 2016 RDA Decision and BCGMC Complaint Decision.

- The Report demonstrates, amongst other things, that the New Rules, which were reviewed and approved by the 2016 RDA Decision, are working as intended.

- In response to requests from shipper agents, FEI is implementing two minor enhancements to its operational business rules and practices, which do not require approval from the BCUC.

- FEI's conclusions in the Report are supported by the detailed analysis and review conducted by an independent, third-party expert, Atrium Economics, LLC. (Atrium Economics), including a benchmarking study comparing FEI's New Rules to local distribution companies (LDCs) across North America.

- FEI and Atrium Economics have responded in detail to numerous information requests, further supporting the conclusions of the report.

- No stakeholder chose to file any written letters of comment when given the opportunity to do so.

PART TWO: FEI HAS COMPLIED WITH ALL DIRECTIVES AND THE NEW RULES ARE WORKING AS INTENDED

A. FEI'S TRANSPORTATION SERVICE MODEL AND THE NEW RULES WERE REVIEWED AND APPROVED AS PART OF FEI'S 2016 RATE DESIGN APPLICATION

3. The key background of the Report is FEI's 2016 RDA and the BCUC's 2016 RDA Decision, which was a comprehensive rate design process resulting in the approval of the New Rules. The New Rules include the elimination of monthly balancing provisions, implementation of daily balancing for all transportation service customers, a reduction of the daily balancing tolerance from 20 percent to 10 percent, and a new balancing charge of $0.25 per gigajoule (GJ) for balancing within the 10 to 20 percent range. These changes were the first material changes to FEI's Transportation Service Model since 1993 and moved the Transportation Service Model closer to an industry standard approach.[1]

4. The 2016 RDA Decision provides a detailed discussion of the comprehensive review of the Transportation Service Model that occurred in that proceeding. The BCUC's conclusions in the

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[1] Exhibit B-1, Report, p. 4.

2016 RDA Decision regarding the New Rules form the backdrop for the review of the Report. The BCUC's determinations in the 2016 RDA Decision on matters related to the Report are as follows:[2]

> **10.2 Daily balancing provisions**
>
> …
>
> **The Panel approves FEI's proposal to implement daily balancing for all transportation customers and the amendments related to daily balancing for Rate Schedules 23, 25, 26 and 27.** Rate Schedules 22 and 22A are currently daily balanced rate schedules. The issue of whether daily balancing provisions should apply to the Rate Schedule 22B customers is dealt with separately in subsection 10.4.4 of this decision. The Panel finds FEI's proposal to eliminate monthly balancing to be just and reasonable and not unduly discriminatory. The Panel notes the current monthly balancing rate schedules state that a shipper's requested quantity should equal its best estimate of the quantity it should actually consume in a day.
>
> The Panel finds that the industry has evolved sufficiently and the necessary tools are now available to transportation service customers and/or the Shipper Agents who represent them to facilitate estimation of daily requirements. Daily balancing ensures all transportation customers are treated equally and appropriately reduces the need for FEI to use core resources to provide balancing gas for transportation customers. Further, both Black & Veatch and Elenchus identify that daily balancing is standard industry practice.
>
> …
>
> **10.3.1 Application of a balancing charge to a tolerance range of 10 to 20 percent**
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> …
>
> **The Panel approves FEI's proposed amendments to reduce the daily balancing tolerance to a 10 percent threshold and to introduce an additional daily balancing charge for gas supply shortfalls within a 10 to 20 percent tolerance level for Rate Schedules 22, 22A, 23, 25, 26 and 27.** The issue of balancing tolerances for Rate Schedule 22B is dealt with separately in subsection 10.4.4 of this decision.
>
> The Panel finds the resulting tiered structure of the balancing charges to be just, reasonable and not unduly discriminatory in that this rate structure is consistent with rate design principles of fair apportionment of costs among customers and price signals that encourage efficient use of resources.

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2 2016 RDA Decision, Section 10.0 [footnotes omitted].

With respect to fair cost allocation, the Panel finds that imbalances caused by transportation customers are managed by FEI using mid-stream resources that are paid for by sales customers.

The Panel agrees with FEI that the proposed tiered approach provides a greater incentive for transportation customers and Shipper Agents to balance within 10 percent which should result in tighter balancing and less use of mid-stream resources. The Panel is also persuaded that maintaining the status quo and leaving the responsibility on FEI to monitor and manage Shipper Agent behaviour using mid-stream resources is not only unfair from a cost allocation perspective, it is also not an efficient use of resources. In the Panel's view, the establishment of appropriate price signals will incent and encourage more efficient use of resources.

Further, Black & Veatch and Elenchus present findings that support FEI's proposal of a 10 percent tolerance level as being more in line with industry norms, albeit at the low end compared to other jurisdictions. The Panel finds the movement to 10 percent tolerance is a reasonable step in appropriately tightening the balancing requirements and this will result in tolerance levels that are more comparable with industry practice. The movement of the tolerance level from 20 to 10 percent is also supported by the improvement and evolution of the necessary tools enabling more precise estimates of demand and more timely adjustments to supply than when the 20 percent tolerance was originally introduced. The Panel acknowledges that the result of introducing the 10 percent tolerance for daily under-deliveries may possibly result in an increased potential for over-deliveries and discusses this further in subsection 10.4.1 below. There may be other operational issues that arise as suggested by Access Gas in regard to prior period adjustments. In the absence of evidence in this proceeding, the Panel is of the view that consultation between FEI and Shippers and Shipper Agents could address these operational issues as they arise.

10.3.2 Appropriateness of proposed charge of $0.25 per GJ

…

The Panel approves FEI's proposed amendments to introduce an additional daily balancing charge of $0.25 per GJ for gas supply shortfalls within a 10 to 20 percent tolerance level for Rate Schedules 22, 22A, 23, 25, 26 and 27. The additional daily balancing charge for Rate Schedule 22B is dealt with separately in subsection 10.4.4 of this decision. In the Panel's view, $0.25 per GJ applicable for daily under-deliveries in the 10 to 20 percent tolerance range is just, reasonable and not unduly discriminatory given the methodology for determining the charge is reflective of the potential variable cost to the core of supplying this gas which provides a reasonable proxy for the cost of service thereby supporting the rate proposed by FEI.

The Panel does not agree with and places no weight on Access Gas' assertion, absent any evidence on the point, that purchasing supply at the Sumas Gas Daily Index price is punitive enough since this is the market price of gas on the day to acquire supply to match demand.

The Panel recognizes that the current balancing charges applicable at the 20 percent tolerance level remain higher than the new charge and finds this appropriate considering the magnitude of the tolerance level as compared to current industry standards, which are often at the 5 percent tolerance, even sometimes as low as 0 percent, and rarely exceeding 10 percent. Further, as discussed in subsection 10.3.1 of this decision, the resulting tiered rate structure sends an appropriate price signal to incent and encourage more efficient use of resources.

…

10.4.1 Potential for increased over-deliveries

…

The Panel acknowledges there may potentially be an increase in over-deliveries when FEI implements the approved balancing changes. However, at this point in time it is difficult to predict whether over-deliveries will occur, the magnitude of any over-deliveries, and the impact on FEI and its sales customers. In the absence of this information, the Panel encourages FEI to monitor the situation and to work with Shippers/Shipper Agents to manage over-deliveries using the tools available under the tariff. Future reporting and consideration of this issue is dealt with in section 10.5 of this decision.

…

10.4.2 Imbalance return

...

The Panel finds it appropriate for imbalance return to continue as a business practice rather than setting out the details of the imbalance return service in the transportation service tariff provisions. The Panel acknowledges that the availability of imbalance return gas is limited by the physical and operational constraints of the FEI system and is currently a maximum of 40,000 GJ per day in the Interior and 40,000 GJ/d in the Lower Mainland regions, respectively. Given these limitations, the Panel considers it is important for FEI to have an imbalance return allocation methodology that is fair. Accordingly, FEI is strongly encouraged to undertake a fair and effective consultation process that engages Shippers and Shipper Agents in addressing any imbalance return issues that arise under existing business practices. FEI should make modifications to the current allocation procedures as appropriate and in response to changes in demand for imbalance return especially issues arising as a result of implementing changes in the balancing rules.

…

[Volumetric Charge]

With respect to CEC's submission regarding revisiting the alternative of a volumetric transportation service charge that would apply to all transportation service customers in a future review, the Panel notes that FEI had already considered this as an alternative to the proposed tiered balancing charges. As presented in section 10.3.1 of this decision, FEI decided not to propose such a volumetric charge arguing that it would remove the incentive for Shipper Agents to adhere to their responsibility to balance and penalize Shipper Agents who are already balancing their groups within a 10 percent threshold on a daily basis. The Panel considers that this alternative is not consistent with rate design principles of fair apportionment of costs among customers and price signals that encourage efficient use of resources. The Panel will not direct FEI to revisit a volumetric transportation service charge as an alternative to tiered balancing charges.

5. As indicated by the conclusions above, the BCUC comprehensively considered the New Rules and provided detailed reasons supporting its approval. FEI submits that the Report, and this proceeding generally, has confirmed the BCUC's determinations above.

B. BCUC REJECTED COMPLAINT FROM SHIPPER AGENTS AND DETERMINED, INTER ALIA, THAT THE INFORMATION PROVIDED TO SHIPPER AGENTS IS APPROPRIATE

6. Another key part of the background for the Report is that the BCUC has recently heard and dismissed a complaint from a group of shipper agents, concluding, amongst other things, that the measurement information FEI provides to shipper agents is appropriate. On August 10, 2020, the BCUC issued Decision and Order G-210-20 (BCGMC Complaint Decision) in the matter of a complaint filed by Cascadia Energy Ltd., Direct Energy Marketing Ltd. and Access Gas Services Inc. (collectively BCGMC). As set out in the executive summary of the BCGMC Complaint Decision, the Panel made the following findings: [3]

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[3] BCGMC Complaint Decision, pp. 1-2. Online: https://docs.bcuc.com/Documents/Proceedings/2020/DOC_58897_G-210-20-FEI-BCGMC-Complaint-Reasons.pdf.

- The Panel finds that the information provided to shipper agents is appropriate and the penalties and curtailments experienced by BCGMC are consistent with the intended outcomes of the transportation model in the 2016 RDA Decision.

- The Panel does not find any evidence to indicate that FEI has changed its "inter-customer group balancing rules" or applied its balancing rules in a manner inconsistent with the transportation model tariffs.

- The Panel is satisfied that the steps taken by FEI to curtail inventory returns were appropriate and in accordance with the terms of its tariffs given the unique operational circumstances faced in Winter 2018/19 following the Enbridge pipeline rupture.

- The Panel does not consider FEI's regulated utility operations to be in competition with gas marketers or receiving a competitive advantage from control of FEI customer information. The Panel rejects BCGMC's argument that a code of conduct is required for FEI's regulated utility business in order to establish a competitive market for all gas marketers and their customers as FEI's regulated service offerings are governed by its tariffs.

7. The above conclusions are consistent with the determinations of the BCUC in the 2016 RDA Decision and with the conclusions of FEI in its Report.

8. In the BCGMC Complaint Decision, the Panel also directed FEI to engage in a stakeholder review with all shipper agents regarding certain topics, which FEI has done in a comprehensive manner, as discussed in the next section of this submission.

C. FEI ENGAGED EXTENSIVELY WITH STAKEHOLDERS TO INFORM THE REPORT

9. FEI's Report is informed by extensive stakeholder consultation. FEI conducted multiple stakeholder engagement sessions which included participation by intervener representatives involved in FEI's rate design and rate setting processes, all shipper agents, and with BCUC staff present as observers. FEI conducted individual sessions with shipper agents and group sessions

with shipper agents, intervener representatives, and BCUC staff to gather feedback and facilitate discussion to better understand the issues they raised. FEI also provided opportunities for shipper agents to share their views on how the Transportation Service Model is working for them under the New Rules. These sessions included identification of and discussion on any issues or challenges they raised as well as reviewing the BCUC Directives.[4]

10. Table 4-1 from the Application, reproduced below, summarizes the stakeholder meeting FEI has conducted with various participants.[5]

Table 4-1: Stakeholder Engagement Meeting Summary

<table>
<tr><th colspan="3">Meeting Type</th></tr>
<tr><td rowspan="11">Individual Conference Calls</td><td>April 14, 2021</td><td>Easy Energy</td></tr>
<tr><td>April 16, 2021</td><td>Campus Energy</td></tr>
<tr><td>April 20, 2021</td><td>Cascadia Energy</td></tr>
<tr><td>April 23, 2021</td><td>Shell Energy</td></tr>
<tr><td>April 26, 2021</td><td>Access Gas</td></tr>
<tr><td>April 29, 2021</td><td>Direct Energy</td></tr>
<tr><td>May 3, 2021</td><td>Absolute Energy</td></tr>
<tr><td>May 6, 2021</td><td>Sentinel</td></tr>
<tr><td>May 10, 2021</td><td>IGI</td></tr>
<tr><td>May 14, 2021</td><td>Tidewater</td></tr>
<tr><td>June 1, 2021</td><td>Macquarie</td></tr>
<tr><td rowspan="2">Pre-meeting Reviews of the Transportation Service Model</td><td>September 13, 2021</td><td>BCUC Staff</td></tr>
<tr><td>September 15, 2021</td><td>Interveners: BCOAPO, BCSEA CEC, RCIA</td></tr>
<tr><td rowspan="2">Group Stakeholder Sessions</td><td>September 22, 2021</td><td rowspan="2">BCUC Staff, Interveners, Shipper Agent Community</td></tr>
<tr><td>May 10, 2022</td></tr>
</table>

11. As indicated above, FEI held individual sessions with each shipper agent in the spring of 2021. In addition, in the fall of 2021, FEI hosted a group stakeholder session with shipper agents, intervener representatives, and BCUC staff. Shipper agents were provided an opportunity to advance their issues, concerns and suggestions for changes or enhancements to the

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4 Exhibit B-1, Report, pp. 4-5 and 10-16.

5 Exhibit B-1, Report, p. 10.

Transportation Service Model by providing supporting evidence and rationale. Aside from one presentation made by Direct Energy, no shipper agent came forward with evidence to suggest or imply that conducting business under the model and/or the New Rules was unduly burdensome. FEI documented 29 requests for changes from stakeholders, as summarized in Table 4-2 of the Application.[6]

12. In May of 2022, FEI held a final group stakeholder session to provide a high-level summary of its findings and conclusions informing this Report based on the analysis undertaken to meet the BCUC's Directives. During this session, Atrium Economics provided a summary of their analysis on the performance of the Transportation Service Model since the New Rules were implemented. As well, FEI presented a high-level overview of its preliminary conclusions for the Report based on the results of its analysis in relation to the BCUC Directives and in consideration of the stakeholder feedback gathered from the earlier sessions.[7]

13. In Appendix B of the Report, FEI provides the information and summary meeting notes from the various sessions.

14. FEI submits that its stakeholder engagement was detailed and extensive and provided ample opportunity for stakeholder feedback, which has informed and been incorporated into the content of the Report.

D. FEI HAS COMPLIED WITH THE DIRECTIONS FROM THE RDA DECISION AND BCGMC COMPLAINT DECISION

15. FEI has responded to all of the directions from the BCUC's 2016 RDA Decision and BCGMC Complaint Decision. Specifically, in Section 5 of the Report, FEI reviews each of the BCUC Directives by providing some background information as required and including discussion supporting FEI's conclusions.

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6 Exhibit B-1, Report, pp. 12-15.

7 Exhibit B-1, Report, p. 16.

16. FEI's conclusions on each of the directives from the 2016 RDA Decision are provided in the table below.

Direction from 2016 RDA Decision	Addressed in Report
Impact of new balancing rules on the use of core resources including both changes to variable costs of balancing the system to accommodate transportation service and changes to fixed costs arising from a need to contract midstream resources differently	Section 5.1 of Report: Since the implementation of the New Rules, midstream resources have not had to change for the purpose of providing balancing services to the Transportation model. Therefore, FEI has not had to incur any additional fixed (contracted) midstream resources for this purpose. As the data in Figures 5-1 and 5-2 demonstrates, supported by the analysis in Atrium Economics Report, the New Rules have achieved the desired outcome; namely to incent shipper agents to balance and manage their day-to-day business and their customers' daily supply and demand more tightly, thus requiring less use of FEI's midstream resources to compensate for imbalances caused by transportation service customers. For the foregoing reasons, FEI believes that the New Rules are operating as intended and no further changes are required to the tariffs or business rules for the Transportation Service Model at this time.
Effectiveness of imbalance return as a tool for Shippers/Shipper Agents to manage excess inventory including discussion of any modifications made to the allocation methodology in response to changes in demand for imbalance return after the balancing rule changes are implemented	Section 5.2 of the Report: FEI believes that the imbalance return service is working well as designed and remains fair and equitable because, since the implementation of the New Rules, inventory on FEI's system is being maintained at reasonable levels. In addition, as shown in Table 5-4 and 5-5, the charges incurred by shipper agents when they have been unable to balance under the New Rules have not been significant. Further, the findings in the Atrium Economics Report which demonstrate both an improvement in inventory levels and low charges incurred since the New Rules were implements support these conclusions. However, FEI believes that it is reasonable to proceed with Request 4, to enable a minimum allocation of imbalance return to groups with smaller demand, and plans to implement this change in the fall of 2022.[8] The methodology for the current allocation of imbalance return was discussed and agreed upon by shipper agents in the fall of 2018. Through stakeholder engagement in the development of this Report, FEI heard additional requests to further amend the allocation of imbalance return including: 1) for FEI to release greater volumes; 2) allow greater volumes to specific shipper agents; 3) a reallocation of unutilized volumes to other shipper agents; 4) minimum allocation to groups with smaller demand; 5) modify the allocation methodology to account for a volatility (load factor); and 6) allow the service be available during HTA periods, In summary, while the imbalance return service is available to shipper agents largely throughout the year as shown in Table 5-2, it is rarely fully utilized. The time, expense, and resources involved to modify this service based on the requests outweigh the potential benefits. However, as discussed above, FEI has committed to implementing the request (Request 4) to provide a minimum allocation of imbalance return to groups with smaller demand as FEI views this change as fair and reasonable, will incur minimal costs and is easy to implement from system perspective.

[8] In the response to BCUC IR1 5.1 (Exhibit B-3), FEI updated its expected timing for completion and implementation to the last quarter of 2022.

Direction from 2016 RDA Decision	**Addressed in Report**
Whether there should be further tightening of tolerances for under-supply	Section 5.3 of Report: There was no evidence to suggest that a return to the 20 percent tolerance is reasonable or necessary. Nor is there evidence to support the design and implementation of variable or seasonal tolerances. Given shipper agents have demonstrated they are managing their supply and demand obligations consistently throughout the year to serve their customers under the 10 percent tolerance and have incurred a low level of balancing charges, FEI believes that the New Rules are reasonable, working as intended, and additional changes are not warranted.
Whether it is necessary to implement tolerances and associated charges for over-supply	Section 5.4 of the Report: Since implementation of the New Rules, shipper agent inventory levels are being maintained more consistently at reasonable levels. Consequently, inventory levels on FEI's system as a whole have improved since the New Rules were implemented. FEI continues to actively monitor system imbalances for each shipper agent to ensure levels of inventory are within the 2-3 day acceptable range. Even in the 2018 and 2019 years that were impacted by the Enbridge incident, overall system inventory levels have been reasonable. While the tariff allows FEI to adjust a shipper's nomination and inventory (a paper rather than a physical transaction) and given that under-supply is not currently problematic, FEI does not believe that a tolerance for over-supply is necessary at this time. FEI will continue to monitor inventory levels should circumstances suggest that consideration of tolerances and associated charges for over-supply may be needed in future.
Whether the balancing charges appropriately recover the costs of providing balancing to transportation service customers and provide sufficient incentive to transportation service customers to balance their supply and demand.	Section 5.5 of the report: As discussed above, after having performed the cost-based calculation, the incremental charge of $0.25 per GJ remains reasonable and appropriately recovers the costs of balancing to transportation service customers within the 10 percent to 20 percent range. In addition, the low level of incremental balancing charges indicates the charge provides sufficient incentive to transportation service customers to balance supply and demand more tightly as was the intent with the implementation of the New Rules. FEI will monitor midstream costs and periodically perform the cost-based calculation and, if necessary, bring forward a request for a revised charge in a future process.

17. FEI's conclusions on each of the topics that the BCGMC Complaint Decision directed FEI to engage stakeholders on are set out in the table below.

Direction from BCGMC Complaint Decision	Addressed in Report
Nature, timing and adequacy of information provided to shipper agents to manage gas supply resources	Section 5.6 of Report: The various issues raised by some shipper agents regarding measurement are not new. During the individual conference calls, some shipper agents expressed that the data available to them from WINS and SCADA was sufficient. Based on FEI's analysis, shipper agents are meeting their supply obligations today under the New Rules (within the 10 percent balancing tolerance) without incurring substantive charges. FEI concludes that the existing data available to transportation customers and shipper agents is sufficient given shipper agents are managing well under the New Rules. This conclusion is also supported by the findings in the Atrium Economics Report.
Administration of inter-customer group balancing and transparency of inter-customer group balancing rules	Section 5.7 of Report: In summary, with respect to the administration of inter-customer group balancing, FEI intends to continue to manage the process as is done today where FEI checks to ensure that the overall supply meets the demand. In doing so, FEI confirms that no additional midstream resources were required for balancing the system, thus ensuring there was no impact to sales customers before contemplating and enabling any supply exchanges in hindsight. FEI will continue to allow retroactive inter-customer group balancing among shipper agents to assist shipper agents in mitigating UOR charges in the over 5 percent category when appropriate to do so.
FEI's criteria for curtailment of inventory returns to shipper agents	Section 5.8 of the Report: While every situation is different, FEI has remained consistent over time in the factors it considers when faced with reducing or interrupting the imbalance return service. Almost exclusively, FEI's decisions to limit imbalance return are consistent with the timing of restrictions imposed by inter-connecting pipelines and typically are as a result of events or circumstances occurring in the Pacific Northwest. FEI expects that shipper agents, similar to FEI, are actively monitoring market information that might result in pipeline restrictions, assessing the health of interconnecting pipes which may impact delivered supply or market price, weather, impact to market prices, and planned outages in order to plan ahead and be prepared for when restrictions occur. It is the ultimate responsibility of each shipper agent to understand their business and regional market environment to enable better business and contingency planning to ensure the supply needs of their customers are met under all circumstances. FEI currently provides the reasons in its notifications for changes in operational conditions affecting imbalance return, and will continue to do so going forward.

18. Further, FEI's Report addresses the additional requests from shipper agents arising from the Stakeholder engagement sessions. These requests are discussed in Section 6 of the Report.

19. FEI submits that it has fully responded to the BCUC's directions from the 2016 RDA Decision and BCGMC Complaint Decision.

E. IN RESPONSE TO REQUESTS, FEI IS IMPLEMENTING CHANGES WHERE REASONABLE

20. As a result of reviewing and evaluating the requests from shipper agents, FEI has committed to making two minor modifications to its operational business rules:

- Request #4: FEI will update its operational business rules and practices to provide a minimum allocation of imbalance return to groups with smaller demand.[9]
- Request #17: FEI will incorporate a flag to the imbalance return nomination field in WINS when the imbalance return service is restricted.

21. Each of these requests are reasonable, may provide some benefit, will not require material cost, and are relatively easy to implement.

22. Atrium Economics considered FEI's accommodation of these requests, and concluded that FEI was acting reasonably:[10]

> Atrium found no examples of other gas LDCs that provide accommodations within their fee-based gas storage related (e.g., Parking/Lending) services, which are on par with FEI's Imbalance Return service, for shippers with small daily demands. Such services tend to require a minimum level of daily demand to qualify.
>
> However, it is not unreasonable for FEI to provide the described concession in its IR service for shipper/agents serving customer groups with small daily demands if it can be accommodated within the IR structure, is not detrimental to other Marketers, and is not administratively burdensome.

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9 Exhibit B-1, Report, p. 25-26.

10 Exhibit B-1, Appendix A, Atrium Economics Report, pp. 24-25.

23. With respect to the Request #4, the proposal is not unduly preferential as it establishes a minimum allocation of imbalance return service which will be beneficial to any shipper agent that from time to time may serve smaller customer groups. Given that balancing service charges are based on 100 GJ and shipper agents cannot procure natural gas at a lower volume increment, using the 100 GJ for a minimum allocation of imbalance return provides shipper agents serving smaller groups with a reasonable opportunity to avail themselves of the imbalance return service. There is no material impact to shipper agents as a result of the minimum allocation of imbalance return to shipper agents representing smaller groups. It can also be implemented with minimal cost, without detriment to other shipper agents, and without administrative burden.[11]

24. BCUC approval or acceptance of the change to minimum imbalance return allocations is not required because there are no changes required to the Transportation Service Model tariffs. The imbalance return service is managed by business rules that support the Transportation Service Model and, as such, BCUC acceptance or approval of changes to the business rules is not required.[12] This long-standing approach was confirmed by the Panel in the 2016 RDA Decision: "The Panel finds it appropriate for imbalance return to continue as a business practice rather than setting out the details of the imbalance return service in the transportation service tariff provisions."[13]

F. THE NEW RULES ARE WORKING AS INTENDED

25. The key conclusions to be drawn from Report are as follows:[14]

- The New Rules are working as intended;
- The New Rules are providing the appropriate incentive for shipper agents to proactively plan and take necessary actions to better manage the supply and demand balance for their customers;
- Shipper agents have demonstrated they can manage under the New Rules;

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[11] Exhibit B-3, BCUC IR1 5.3.

[12] Exhibit B-3, BCUC IR1 5.4.

[13] 2016 RDA Decision, p. 72.

[14] Exhibit B-1, Report, p. 4.

- The Transportation Service Model has improved under the New Rules by bringing inventories to more reasonable levels; and
- The New Rules bring balancing expectations more in line with industry standards.

26. Although the New Rules may require additional effort from some of the transportation shipper agents, the Transportation Service Model continues to work well and has improved. The Report shows that the New Rules are operating as intended by incenting shipper agents to appropriately manage their supply and demand requirements daily on FEI's system on behalf of their customers. FEI's analysis shows that shipper agents are able to balance the gas supply and demands of their customers on a daily basis within the tighter tolerance of 10 percent. The relatively low levels of balancing charges being incurred by shipper agents and the reasonable inventory levels maintained on FEI's system since implementation of the New Rules demonstrate that shipper agents are able to manage their businesses under the New Rules. Shipper agents also continue to actively participate in the Transportation Service Model representing their customers under the New Rules. As shipper agents have demonstrated their ability to manage under the New Rules, while also meeting the requirements of their customers, FEI concludes that the New Rules are working as intended.[15]

27. Therefore, FEI submits that no further actions are required in response to the Report.

G. FEI'S REPORT IS SUPPORTED BY DETAILED ANALYSIS AND REVIEW CONDUCTED BY AN INDEPENDENT THIRD-PARTY EXPERT, ATRIUM ECONOMICS

28. In order to effectively address the BCUC Directives, FEI engaged an industry expert, Atrium Economics, to prepare a report to evaluate how the Transportation Service Model has been performing under the New Rules (Atrium Economics Report). Atrium Economics are experts in the energy industry and assisted FEI during the 2016 RDA proceedings and provided evidence and support for the proposed changes.[16]

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[15] Exhibit B-1, Report, p. 4.

[16] Exhibit B-1, Report, p. 3;

29. The Atrium Economics Report is attached in Appendix A to the Report. There are two key parts of the Atrium Economics Report:

- A review of FEI's Transportation Service Model, including analysis of shipper-agents balancing performance before and after the implementation of the new balancing rules.

- A benchmarking of FEI's Transportation Balancing Rules against the balancing rules and services of Local Distribution Companies ("LDCs").

30. The Atrium Economics Report contains detailed discussion and analysis. Atrium Economics summarized its findings as follows:[17]

> Atrium's research of gas LDCs practices with respect to the provision of customer usage data found no support for the notion that FEI's current measurement and usage information system is an impediment to Marketer's ability to provide reasonable nominations for their customers under similar transportation models. The insignificant levels of imbalance charges incurred by Marketers suggest that the current measurement data provided by FEI are sufficient.
>
> Atrium's benchmarking information showed that defining specific operational conditions and circumstances in a tariff, under which restrictions are to be imposed on shippers, is not a common industry practice. Atrium finds that FEI's process for identifying the conditions under which an operational or supply restriction is warranted conforms with industry practices.
>
> Atrium found no examples of other gas LDCs that provide accommodations within their fee-based gas storage related services, which are on par with FEI's Imbalance Return service, for shippers with small daily demands. However, it is not unreasonable for FEI to provide the described concession in its IR service for shipper/agents serving customer groups with small daily demands if it can be accommodated within the IR structure, is not detrimental to other Marketers, and is not administratively burdensome.
>
> The elimination of monthly balancing and moving exclusively to daily balancing aligns with industry standards. Elimination of monthly balancing appears to have removed the potential for gaming activity, as evidenced by imbalance inventory levels since the new daily balancing provisions were implemented. Daily balancing provides the expected remedy.

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[17] Exhibit B-1, Appendix A, p. 3.

31. Atrium Economics concludes its report as follows:[18]

> Historically, FEI had some of the more generous transportation balancing tariff rules in the natural gas LDC industry, while providing appropriate performance incentives for Marketers. Members of Atrium's review team assisted FEI with revisions to its Transportation Service Model ("the Model"), as part of the 2016 Rate Design Application. These revisions were not a wholesale overhaul of the Model, but rather intended to progress toward industry standards while protecting the integrity of the long-standing Model. As stated earlier, Transportation balancing provisions vary widely across LDCs and are not standardized in a "one size fits all" form, allowing LDCs to develop balancing rules that reflect their unique load profiles and geographic location on interstate or interprovincial pipeline systems. FEI's balancing rules reflect the regional attributes of its interconnected upstream pipelines and gas market environment. Atrium finds the revised balancing rules of FEI to be reasonable and working as originally intended, as the metrics in our analyses have shown.

32. As indicated above, Atrium Economics Report supports the conclusion that the Transportation Service Model continues to operate well under the New Rules.

H. FEI AND ATRIUM ECONOMICS HAVE FULLY RESPONDED IN DETAIL TO ALL INFORMATION REQUESTS

33. FEI, with the assistance of Atrium Economics, has responded to all of the information requests in this proceeding in a fulsome and helpful manner.[19] FEI submits that it has addressed all questions raised and that no issues have arisen that would warrant any further action from the BCUC.

I. NO STAKEHOLDER FILED WRITTEN LETTERS OF COMMENT

34. According to the regulatory schedule, stakeholders had until October 6, 2022 to file letters of comments.[20] No comments were received from any shipper agents or other stakeholders.

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[18] Exhibit B-1, Appendix A, p. 25.

[19] Exhibit B-3, B-4, and B-5.

[20] Exhibit A-4.

PART THREE: CONCLUSION

35. FEI submits that the Report complies with the directives from the 2016 RDA Decision and the BCGMC Complaint Decision. FEI submits that it has fully addressed each of the items from these directives, responded to detailed IRs, and provided compelling conclusions which are consistent with the determinations in the 2016 RDA Decision and the BCGMC Complaint Decision. FEI has extensively consulted with stakeholders, considered the requests of shipper agents, and accommodated those requests where reasonable to do so. FEI's Report is comprehensive, supported by detailed reasons and the opinion of a third-party expert. FEI submits that there is no issue that has arisen that warrants further action from the BCUC.

36. FEI submits that BCUC should accept the Report and determine that no further action is required.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:	November 14, 2022	***[original signed by Chris Bystrom]***
		Christopher R. Bystrom
		Counsel for FortisBC Energy Inc.