
Notice: Winter Reminders

October 26, 2015

With November 1 just around the corner, I wanted to review some rules and events which will come into play during the winter.

Imbalance Return

All Shippers that have a daily balanced group in the Lower Mainland or Interior locations have the ability to place a nomination to request imbalance return. Imbalance return essentially allows daily balanced groups to use their inventory as a source of supply. Imbalance return must be nominated by 4PM PST two days prior to the effective date of use.

Imbalance return should be considered an interruptible source of supply. FortisBC typically sets a limit of up to 40,000 GJs of available imbalance return in the Interior and 40,000 GJs in the Lower Mainland. FortisBC will adjust the availability of this service as needed at its discretion.

If requests at the Lower Mainland or Interior locations in aggregate exceed the amount available, scheduled amounts will be allocated evenly across all requesting shippers. Scheduled amounts can be viewed from the Shipper's nomination screen.

As colder weather approaches, imbalance return may be reduced or eliminated. If it is eliminated, the Shipper's inventory can no longer be used as a source of supply. This means daily balanced groups must have sufficient physical supply to meet or exceed your group's consumption. Balancing gas and possibly balancing premium surcharge penalties may apply if under-deliveries occur.

You will be alerted of a reduction or elimination of imbalance return through an email and posting in the News Flash section of our web site located here:

<http://www.fortisbc.com/NaturalGas/Business/ChoosingANaturalGasSupplier/TransportationServiceOption/TransportMarketActivities/Pages/default.aspx>

Daily Balancing Gas and Balancing Premium Surcharge

In the case where a daily balanced group does not have sufficient supply (i.e. physical receipts plus gas taken from inventory) to meet demand, daily balancing gas will be sold at the Sumas Gas Daily price.

A daily balancing premium surcharge can also be incurred when under-deliveries exceed a tolerance. On a day when authorized quantities plus the greater of 120% or 100Gjs is insufficient to meet demand, balancing premium surcharges will apply. Surcharges are \$1.10 per GJ in the winter and \$0.30 per GJ in the summer.

Backstopping

Backstopping occurs when the authorized quantity from the interconnecting pipeline (i.e. Spectra) is less than the nominated or requested quantity (i.e. your nomination in WINS). Backstopping is charged at the Sumas Gas Daily price.

Backstopping Example:

Nominated/Requested = 100

Authorized from Spectra = 80

Backstopping = 20

Inventory levels

FortisBC requests that Shippers maintain a **2-3 day pack/draft** inventory level at the Lower Mainland and Interior locations. The 2-3 days of inventory is based on the average consumption of the group divided by the total inventory held. For example, if an average daily burn for the group is 5,000 and the total ending inventory for a given day is 15,000Gjs, then the group holds a 3 day pack on our system.

If a Shipper has a daily and a monthly group at one location, the inventory level should account for the net effect of both groups.

FortisBC may adjust, in consultation with the Shipper, the Shipper's requested quantity, when in the reasonable opinion of FortisBC such modification is required in order to limit the build-up of inventory account quantities.

FortisBC also reserves the right to limit gas quantities maintained in the Shipper's inventory account, and will from time to time in consultation with the Shipper return excess inventory at no charge to the Shipper. This will not relieve the Shipper from its obligation to provide accurate nominations based on the Shippers best estimate of the daily demand of the group.

Please make best efforts to maintain inventories at reasonable levels.

Southern Crossing Pipeline ("SCP") Peaking & East Kootenay Exchange ("EKE") Receipt Service

SCP Peaking allocations and EKE receipt service notifications were issued mid-September for the upcoming gas year. The SCP Peaking gas calculation is based on historical winter consumption of each Shipper's firm, non-bypass customer demand combined with a peaking factor.

SCP Peaking gas quantities can be used at the following receipt points: Lower Mainland, Interior and Columbia. The SCP Peaking gas is essentially a source of supply. SCP Peaking gas quantities can be nominated up to 15 times during the year and must be returned within six business days on which it was authorized.

The East Kootenay Exchange receipt service is related to the EKE interconnect point which is off of TransCanada's Foothills system. Through this service, Shippers can nominate and bring on supply at this location off of Foothills to serve their Interior groups.

The EKE Receipt Service is calculated based on historical winter consumption of each Shipper's firm, non-bypass customers in the Inland Service area. FortisBC calculates a volume available for Transportation Shippers and allocates this service based on customer base. This volume is available for use every day throughout the year.

Notice of a Supply Restriction or Hold to Authorized

Supply restrictions come into play when the region experiences cold weather or near design day temperatures. Plant outages affecting FortisBC's system can also cause a supply restriction to be imposed. To note, the terms *supply restriction* and *hold to authorized* are used interchangeably.

Notice of a supply restriction can be issued intraday or for the following business day; FortisBC will make every effort to give Shippers as much notice as possible.

A supply restriction applies to **all groups**, regardless if they are daily or monthly balanced. FortisBC can issue a supply restriction in the following regions: Lower Mainland, Interior, Vancouver Island and Columbia regions.

Under these conditions, Shippers are responsible to have sufficient supply to meet or exceed the customer/group demand on each and every day while this condition exists. Unauthorized Overrun charges will apply if under-deliveries occur.

Unauthorized charges include the following: the 1st 5% of the unauthorized overrun will be charged at the Sumas Gas Daily price. The quantities over and above the 5% tolerance will be charged at the greater of 1.5 times the Sumas Gas Daily price OR \$20.00/GJ.

Curtailement

A “curtailement” is very different scenario from a “supply restriction”; and often these terms are confused or used incorrectly. A *supply restriction* as described in the section above applies to a region and therefore all Shippers in that region are impacted. A *curtailement* applies to a specific customer, typically either a Rate 22 or Rate 27, at a specific location on the system.

In the event a specific customer is required to reduce their consumption or is curtailed completely, FortisBC Gas Control and/or Industrial Marketing will contact the customer directly. Capacity curtailments can occur at 25 degree day conditions, or minus 7 Celsius.

Transportation Services will alert the marketer representing the customer as quickly as possible.

Notices

FortisBC will provide notices of all relevant changes and events by email and update the “News Flash” section on the Transport marketers activities web page located here:

<http://www.fortisbc.com/NaturalGas/Business/ChoosingANaturalGasSupplier/TransportationServiceOption/TransportMarketersActivities/Pages/default.aspx>

If you wish to be included in this email list, or wish to amend existing recipients, please email transportationservices@fortisbc.com

Please contact me directly if there are questions regarding this notice.

Regards,
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