



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

June 9, 2017

Absolute Energy Inc.
Suite 606 – 1112 West Pender Street
Vancouver, B.C.
V6E 2N1

Attention: Mr. Peter Kresnyak, Director, Business Development

Dear Mr. Kresnyak:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698899
2016 Rate Design Application (the Application)
Response to the Absolute Energy Inc. (Absolute) Information Request (IR) No. 1

On December 19, 2017, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-30-17 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to Absolute IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

FortisBC Energy Inc. (FEI or the Company) 2016 Rate Design Application (the Application)	Submission Date: June 9, 2017
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1 1. Tightening the balancing tolerances for shippers from 20% to 10% could create a
 2 significant burden on shippers (and their customers), especially those who
 3 manage volatile industrial customer loads that do not trend with weather
 4 conditions, and are therefore at times, highly unpredictable. To stay inside a
 5 tighter balancing tolerance, shippers will need to rely on accurate and timely
 6 customer gas usage data. The majority of customer usage data provided by FEI
 7 to Shippers is communicated through FEI's Web Information and Nomination
 8 System (WINS). The WINS usage data is currently available to Shippers with a
 9 48 hour time lag. In other words, Shippers do not accurately know their
 10 customers' gas consumption until two days after the close of the Gas Day trade
 11 window. There is currently a limited ability for Shippers to source same day
 12 additional gas supplies in the region, and there is no ability for Shippers to source
 13 prior day (also referred to as "y-day") gas supply as there is in some other
 14 jurisdictions. Can FEI propose any solutions for Shippers to source gas supplies
 15 on a timely basis in order to balance their customer groups in line with tighter
 16 tolerances, given the timeliness of the usage data currently available?
 17

18 **Response:**

19 In the situation described, it is not clear how the gas consumption of a previous day would
 20 provide an indication of the load for a future day for customers with volatile swings that do not
 21 follow a heat sensitive load profile. In particular, those customers that have the ability to fuel
 22 switch may, for business or economic reasons, decide to switch to or from gas as compared to
 23 the previous day. Historical data helps to provide an indication of the magnitude of swing for a
 24 given customer, but does not necessarily inform a forecast for the demand on a future day.

25 It is the responsibility of the Shipper Agents acting on behalf of their customers to manage
 26 supply. To help with this, some Shipper Agents have been given access to FEI's SCADA
 27 system to more closely monitor customer behavior. SCADA provides consumption for the
 28 previous day, previous hourly flow and cumulative hourly flow of the current day. Other than
 29 this, FEI's suggestion is that Shipper Agents work more closely with and be in direct contact
 30 with their customers with more unpredictable load swings to manage their load requirements on
 31 a forecast basis and when gas consumption is higher or lower due to an operational issue at the
 32 customer's place of business. If a customer has an event which causes them to consume more
 33 gas than anticipated, the customer should be contacting the Shipper Agent in order to make
 34 intra-day gas changes if needed.

35 Please also refer to the responses to BCUC-FEI IRs 1.56.1.1 and 1.56.1.2.
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1 2. Amending the balancing tolerance from 20% to 10% before balancing charges
2 apply (\$0.25/GJ as proposed by FEI) will likely cause Shippers to over-supply
3 and thereby accumulate inventory levels that may often exceed FEI's generally
4 accepted limit of 2-3 days of customer usage. Reducing the balancing tolerance
5 from 20% to 10% may make it difficult for Shippers to reduce any excess
6 inventory by drawing down (or "drafting") inventory in a timely manner without
7 incurring balancing charges. Has FEI considered providing allowances for
8 Shippers to exceed the 10% balancing limitation without incurring balancing
9 charges from time to time, in order to reduce inventory levels down to acceptable
10 targets?

11

Response:

13 If the balancing tolerance is amended to 10 percent, FEI will monitor the system and Shipper
14 Agents' accounts so that oversupply does not occur. Should oversupply exceed the 2-3 day
15 limit, FEI will contact those Shipper Agents directly and request they amend their supply back
16 into tolerance. Should the oversupply persist beyond a reasonable time, and not be reduced as
17 requested, FEI may use the tools within the tariff to amend the relevant Shipper Agent's
18 nominated supply.

19 Today, some Shipper Agents are managing within a tighter tolerance than 20 percent and
20 maintaining an overall inventory of 2 to 3 days. Based on this experience, FEI believes that
21 Shipper Agents are able to manage to the 10 percent tolerance while managing inventory within
22 a reasonable range.

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26 3. FEI is proposing to eliminate the monthly balanced provisions for the
27 transportation model. Can FEI quantify the expected annual variance in
28 transportation service imbalances and costs for daily balanced versus the current
29 monthly balanced provisions?

30

31 **Response:**

32 FEI has contacted Absolute through a conference call to seek clarification of this question. FEI
33 understands that Absolute is asking if FEI can quantify the improvement in balancing overall
34 that can be associated with changing from monthly balancing to daily balancing, and what would
35 the improved balancing be that would be attributed to amending the tolerance from 20 percent
36 to 10 percent.

37 The Transportation Model and its associated tariffs are intended to be self-contained, in the
38 sense of not being reliant on FEI's Midstream resources. This is reflected in the fact that the

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1 Transportation Rate Schedules do not include a Midstream Charge. Shipper Agents are to
 2 provide the services to transportation customers that the Midstream resources provide to sales
 3 customers. Therefore, the intent of the rule changes is to incent Shipper Agents to manage
 4 their business within a tighter tolerance so that the Transportation Model can be more self-
 5 contained than it is currently.

6 FEI has not attempted to quantify the expected variance improvement that will come from the
 7 monthly to daily change, or what the improvement would be due to moving from a 20 percent to
 8 10 percent balancing tolerance. The reason for this is that FEI is not certain how each Shipper
 9 Agent will manage to the new rules if approved. Some Shipper Agents are already operating
 10 within the proposed new rules, so little or no improvement will be seen from these Shipper
 11 Agent groups. Others will have to change their behavior or pay the charges that have been
 12 proposed by FEI in this Application. Regardless, the proposed changes are an improvement to
 13 the current model and business rules, and will make the Transportation Model more self-
 14 contained than it is today.

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18 4. Would FEI consider a phased amendment of the balancing provisions for
 19 transportation shipper groups; first, assessing the impact of eliminating monthly
 20 balanced provisions before considering tightening shipper imbalance tolerances?
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22 **Response:**

23 Please refer to the response to BCUC-FEI IR 1.57.1.
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27 5. Will FEI consider the option of a general postage stamp balancing fee for all
 28 transportation customers versus amending the balancing tolerances and
 29 assessing balancing charges for shippers/customers outside of tolerance?
30

31 **Response:**

32 Sections 10.7.4 and 10.7.5 of the Application describe how FEI considered and evaluated a
 33 postage stamp balancing fee versus amending the balancing tolerances and charges. FEI
 34 provided the following summary of its reasons for selecting Option 2 – tightening the balancing
 35 threshold as the preferred approach, on page 10-33, lines 21 to 25 of the Application:

36 Imposing a balancing fee charge or cost across all customers under Option 1 would
 37 represent a significant change to the existing transportation model. As discussed

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1 below, FEI is not proposing a balancing charge, as its intent is not to penalize
2 shipper agents that hold and manage tighter balancing tolerances today, nor to
3 interfere with individual shipper agent business models. As such, FEI has determined
4 that Option 2 is the preferred option.

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