BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT
R.S.B.C. 1996, CHAPTER 473

And

FortisBC Energy Inc. (FEI)
2016 Rate Design Application

Vancouver, B.C.
November 22nd, 2017

Streamlined Review Process

BEFORE:

K. Keilty,	**Panel Chair/Commissioner**
W. Everett,	**Commissioner**
D. Enns,	**Commissioner**

VOLUME 6

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INDEX OF EXHIBITS

1 **VANCOUVER, B.C.**
2 **November 22nd, 2017**
3 **(PROCEEDINGS RESUMED AT 9:00 A.M.)**
4 THE CHAIRPERSON: Good morning, and welcome. My name is
5 Karen Keilty, panel chair for Fortis Energy Inc.'s
6 2016 rate design application. With me today are the
7 other panel members on this application, Doug Enns and
8 Bill Everett.
9 Order G-109-17, issued on July 28, 2017,
10 established the regulatory process for this
11 application which includes today's streamlined review
12 process, or SRP, in respect of FEI's transportation
13 service proposals. This SRP is intended to review in
14 a relatively informal manner the issues in the
15 application while still providing procedural fairness,
16 public participation, and transparency. While the
17 process is not as formal as an oral hearing, it will
18 be transcribed.
19 The panel would like to highlight that FEI
20 has filed its response to two rounds of Information
21 Requests and any further questions will be addressed
22 today. This should reduce or eliminate the need for
23 undertakings and a possible extension of the
24 regulatory timetable.
25 Following my opening statement,
26 participants will introduce themselves. After

1 introductions, FEI is invited to provide an overview
2 of its transportation service review proposals.
3 During FEI's presentation, participants may ask
4 clarifying questions.
5 Following the presentation, participants
6 may ask questions of FEI. When asking questions,
7 participants should first identify themselves for the
8 transcription record, and then ask their question.
9 The order of questions will be, first interveners,
10 second Commission staff, and finally the panel will
11 ask FEI questions.
12 **Proceeding Time: 9:02 a.m. T4**
13 Order G-109-17 outlined that if oral
14 argument were not delivered today, arguments will take
15 place on Monday, November 27th, commencing at 9:00 A.M.
16 in this hearing room. Following the question and
17 answer period, participants will be asked to indicate
18 their preference for delivering oral arguments today,
19 or Monday, November 27. We will take breaks
20 periodically depending on the timing of the
21 proceeding.
22 So we can start with introductions.
23 MR. HILL: Good morning everyone, Shawn Hill, director of
24 energy supply and gas control, FortisBC.
25 MS. SALBACH: Good morning, Stephanie Salbach with
26 FortisBC. I am the transportation services manager.

1 MR. AMEN: Good morning, my name is Ron Amen, I am with
2 Black & Veatch Management Consulting.
3 MR. TAYLOR: And I'm John Taylor with Black & Veatch as
4 well.
5 MR. BYSTROM: Chris Bystrom with Fasken Martineau,
6 counsel for FortisBC.
7 MR. TOKY: Atul Toky, manager rate design and tarriffs
8 with FEI.
9 MR. HODGINS: Kevin Hodgins, manager of industrial
10 accounts. Sorry for the cold.
11 MS. LANG: Mary Lang, FortisBC energy supply.
12 MS. GRAVEL: Colleen Gravel, tariff, rate design and
13 projects manager, FortisBC.
14 MS. BEVACQUA: Ilva Bevacqua, FortisBC regulatory affairs
15 manager.
16 MR. GOSSELIN: Richard Gosselin, FortisBC, manager at
17 cost of service.
18 MR. PERTTULA: Dave Perttula, senior manager rate design
19 and projects, FortisBC.
20 MR. WEAFER: Chris Weafer, counsel of the Commercial
21 Energy Consumers, and Janet Rhodes is with me with the
22 Commercial Energy Consumers.
23 MR. BURSEY: David Bursey for the Industrial Customer
24 Group, which is Teck, Celgar, Cominco, Weyerhaeuser
25 and -- that's it, four, thank you.
26 MR. HACKNEY: Hello, Tom Hackney with the B.C.

1 Sustainable Energy Association, and Sierra Club B.C.,
2 and I expect William Andrews will be joining me
3 shortly.
4 MR. KRESNYAK: Good morning, Peter Kresnyak with Absolute
5 Energy.
6 MR. DIXON: Tom Dixon with Access Gas Services.
7 MR. MARTISKAINEN: Jouni Martiskainen with Catalyst
8 Paper.
9 MS. McCORDIC: Mary McCordic, Shell Energy North America.
10 MR. MILLER: Paul Miller, Boughton Law Corporation,
11 Commission counsel.
12 MS. MARR: Cathy Marr, consultant working with the
13 commission.
14 MR. SOUTH: Errol South, Commission staff.
15 THE CHAIRPERSON: Great, I think that is everyone.
16 FEI is going to start with a presentation.
17 **PRESENTATION BY MR. TOKY:**
18 MR. TOKY: Good morning again, my name is Atul Toky, and
19 I am manager of rate design and tariffs with FortisBC
20 Energy Inc. With me today I have Stephanie Salbach,
21 she is the transportation services manager who will be
22 presenting and discussing with you FEI's
23 transportation service, including the proposed changes
24 as filed in the application.
25 I have also with me other fellow members,
26 but Ron from Black & Veatch, management consulting,

1 who will take us through a few slides that summarizes
2 their findings on this topic.
3 **Proceeding Time 9:07 a.m. T3**
4 Before we start our presentation today, I
5 would like to go through one slide that summarizes the
6 key events leading to today's streamlined review
7 process on this proceeding.
8 Issues pertaining to the cost allocations
9 and revenue-to-cost ratios have already been dealt
10 with in the COSA and earning-to-cost ratio SRP that
11 was held on September 12th, 2017. Other issues
12 pertaining to the rate design in general and general
13 terms and conditions for each of the transportation
14 rate schedules will be dealt by future process as yet
15 to be determined by the Commission. This approach
16 aligns exactly with the Commission's letter on the SRP
17 filed as Exhibit A-17 and the reasons for decision in
18 Appendix A to Order G-109-17, filed as Exhibit A-11.
19 Today's SRP is really regarding the gas
20 supply related topics, and to be specific those are
21 the balancing provisions under FEI's transportation
22 service model, and FEI's proposed changes to those
23 balancing provisions as filed in Exhibit B-1, Section
24 10 of the application, as well as the appendices and
25 Information Requests related to Section 10 of the
26 application.

1 FEI held two information sessions and one
2 stakeholder workshop last year, that was in 2016,
3 where transportation service customer model was
4 reviewed. A discussion guide was provided to all
5 stakeholders well in advance to the workshop, to help
6 FEI consolidate lists of key issues and topics, to
7 explore and focus the scope of the application.
8 Transportation service review and the rate
9 design proposals are filed, as I said, in the Exhibit
10 B-1, or Section 10 of the application. Section 10 of
11 the application included research and study completed
12 by Black & Veatch, who were tasked to research the
13 balancing provision of sampling utilities across U.S.
14 and Canada, and conduct an analysis to value FEI's
15 balancing service.
16 Early this year, we had two post-
17 application workshops to reiterate the purpose of
18 transportation model and the proposed changes to the
19 transportation service as filed in FEI's rate design
20 application. FEI's proposed changes to the
21 transportation service model have been reviewed by two
22 external consultants: Black & Veatch and also
23 Elenchus.
24 FEI has responded to two rounds of IRs on
25 this topic. The purpose of me summarizing these key
26 events is to show that this topic has been extensively

discussed, reviewed, both prior to and after filing the application. FEI believes that there has been an ample opportunity for all stakeholders and interveners to understand and ask questions on the proposed changes to FEI's transportation service.

So with that, I would like to invite Ron here, who will take us through a few of his slides.

MR. AMEN: Again, good morning. My name is Ron Amen. I'm with Black & Veatch, and here representing FEI today.

Black & Veatch was retained by FEI to perform an overall review of their transportation service model. Our analysis was informed by the results of our review of FEI's various mid-stream capacity resources, with particular interest in their use in providing balancing transportation customers daily loads.

The focus of our review included the physical diversity, the functionality, and the flexibility provided by the various capacity resources.

Proceeding Time: 9:11 a.m. T4

We work closely with FEI to understand the historical perspectives related to the utilization of the various midstream capacity resources today for system balancing.

The cost impact caused by transportation customers in balance levels was also reviewed.

So I'd like to begin by reviewing the nature and purpose of balancing. Balancing refers to the daily matching of deliveries of natural gas supplies to FEI's distribution system from various upstream sources with the aggregate daily demands of its customers.

Performance of this balancing function ensures reliable gas supplies are available for both FEI sales and transportation customers. FEI must balance its system daily in conformance with the requirements of upstream, long-haul transportation pipelines. FEI's transportation customers deliver and receive differing amounts of natural gas on a day-to-day basis, which contributes to system imbalances. FEI uses its midstream assets that serves sales customers and their demands. For example, this would be leased, storage, injection and withdrawals. As well as the long haul inter-state pipeline connections that bring the gas from the storage fields to the distribution system. These resources are used to balance the system.

There are two types of balancing charges that are common in the utility industry. One being a volumetric charge that is levied on all transportation

1 throughput. The second is a tiered balancing approach
2 that provides various tolerance levels with associated
3 charges.
4 Balancing service charges or the volumetric
5 approach are typically based on the allocated cost of
6 storage and related pipeline capacity to accommodate a
7 certain specified level of balancing. The tiered
8 balancing tolerance approach assesses a higher level
9 of charge as the size of the customer's imbalance
10 increases. This provides an incentive for
11 transporters to keep balances, or imbalances, within a
12 tighter, more manageable, and less costly range.
13 Black & Veatch initially developed a
14 replacement cost methodology to place a value on FEI's
15 balancing services. Black & Veatch developed a
16 methodology to calculate the estimated replacement
17 cost of FEI's storage and related pipeline capacity
18 resources that are used for system balancing. The
19 replacement cost analysis used the shipper agent's
20 daily deliveries, and adjusted imbalance data. And
21 these adjustments involved end of month inventory
22 adjustments, and also imbalance return quantities.
23 Based on the assumption that if balancing
24 services were not offered by FEI, shipper agents would
25 procure their own resources to meet their balancing
26 needs at 70 percent of the days of the year.

Proceeding Time 9:16 a.m. T5

A shipper agent looking at its projected imbalance volumes in excess of a specified threshold, would likely want to balance its own risk tolerance with the cost minimization when deciding what level of contracted firm storage and related pipeline capacity that is necessary in order to meet its balancing needs for a given year.

Contracting for sufficient firm capacity to meet its highest projected level of daily imbalance would entail over-contracting for capacity on every other day of the year. On the other hand, contracting for lower levels of capacity would leave a shipper agent subject to potentially expensive imbalance charges or other mitigation measures on a daily basis.

The third quartile, the 75 percent level, used in our analysis was derived as a balance between these two competing objectives. It was a mathematical equilibrium between fixed costs of firm resources and incurring imbalance charges.

If you look at the graph, every point, every blue dot on that graph represents an imbalance. This is a year's worth of imbalance data for a particular shipper agent. The red line represents that 75 percent level. So you can see the number of blue dots below the red line, there's a goodly number

1 of them, many of them are way down around a zero level
2 of imbalance, or slightly above or below. We use the
3 absolute value of the imbalances. There can be
4 positive imbalances and negative imbalances. We use
5 the absolute value of those imbalance figures to
6 provide this visual representation.
7 So you can see that if one were to
8 subscribe to enough resources to cover 75 percent of
9 the days, they're still going to be out of balance
10 based on this history a good number of days above that
11 threshold.
12 Our analysis showed that the resources that
13 FEI uses to balance this system have significant value
14 in the marketplace.
15 Based on feedback that we received from an
16 August 12th, 2006 workshop, FEI and Black & Veatch
17 began to focus on where to set the balancing tolerance
18 level, rather than determining an optimal charge for
19 balancing services. We compared FEI's daily balancing
20 tolerance level to its industry peers, since daily
21 balancing predominates across North America.
22 An examination of FEI's historical
23 balancing data by shipper agent revealed a wide array
24 of patterns and strategies employed by each shipper
25 agent. Given a particular shipper agent's different
26 strategies, FEI sought to determine if some strategies

1 allow shipper agents to consistently balance their
2 load to specific threshold levels, namely the current
3 20 percent threshold on the system, and an alternative
4 of 10 percent.
5 The goal was to be able to assess the
6 feasibility of balancing to these thresholds. If
7 several shipper agents are currently balancing to 10
8 percent, or 20 percent, it is reasonable to suggest
9 that it's feasible for shipper agents not currently
10 balancing to these thresholds to change their
11 nomination patterns, and to also meet these balancing
12 tolerance levels.
13 The results of this analysis will be
14 discussed later in the presentation.
15 **Proceeding Time: 9:20 a.m. T6**
16 Black & Veatch was also tasked by FEI to
17 research the balancing provisions of a sampling of gas
18 utilities in the U.S. and Canada to see how FEI's
19 balancing provisions compare relative to its peers.
20 Large utilities with a mix of both transmission and
21 distribution assets on their system were examined.
22 Many utilities across the U.S. and Canada set
23 balancing thresholds at 5 percent, a level that
24 applies to both monthly and daily balanced
25 transporters. Thresholds rarely exceed 10 percent and
26 sometimes can be as low as zero percent, although this

1 is also very rare and usually is impacted by very
2 strict balancing provisions of upstream transmission
3 pipelines. It can also occur during times of
4 entitlement or operational flow orders.
5 The analysis shows that FEI's current
6 balancing provisions are substantially more
7 accommodating than its North American peers. Daily
8 balancing is required by a predominant number of
9 utilities depending on proximity to major market hubs
10 and the balancing requirements as I mentioned earlier
11 of the pipelines upstream of a utility service
12 territory. Some require customers to balance on a
13 daily and a monthly basis.
14 Volumetric balancing service charges, the
15 first of the two examples that I mentioned previously,
16 are sometimes used as a substitute for daily
17 balancing. And this is the case with Puget Sound
18 Energy just south of here, which also employs a month-
19 end balancing mechanism. Further, the analysis shows
20 it is feasible for transportation customers to balance
21 their deliveries to a ten percent threshold, since
22 it's common practice for gas utilities elsewhere to
23 require their customers to meet this level of
24 balancing tolerance.
25 **PRESENTATION BY MS. SALBACH:**
26 MS. SALBACH: There we go. Go morning, I'm Stephanie

1 Salbach and I'll be reviewing today the transportation
2 service proposals that are included in our
3 application. But before I get into our proposals I
4 wanted to give a brief background to provide some
5 context.
6 The transportation service offering has
7 been in operation since 1985. Today we have 13
8 marketers or shipper agents managing the gas supply
9 and transportation needs of approximately 2500
10 commercial and industrial customers on our system.
11 The volume of demand -- or demand from this customer
12 group is significant, representing approximately 40
13 percent of the total annual throughput on FEI's
14 system.
15 As one would expect, the gas industry has
16 evolved since transportation service's inception.
17 When the model first began fax machines were used to
18 transmit gas nominations and supply to and from
19 pipelines. Supply and customer demand were manually
20 updated on what were then called T records, and made
21 available to marketers on a bi-weekly basis. And
22 there were two gas cycles to make supply adjustments
23 within the day.
24 Whereas today, systems are now web based.
25 Gas nominations and supply is communicated between
26 pipelines electronically. Daily supply and demand, as

1 well as historical data, is updated electronically and
2 available to marketers 24/7 from our WINS nomination
3 portal. And there are now five gas cycles, which
4 gives marketers greater flexibility to respond to
5 changes in load. And generally marketers have become
6 sophisticated over this time as well.
7 Generally, we believe the transportation
8 model has been operating well. However, as proposed
9 in this application, we believe the balancing rules
10 should be updated to reflect current day industry
11 practice.
12 As shown here, FEI is proposing to one,
13 eliminate monthly balancing and require all customers
14 in all service territories to be daily balanced. Two,
15 amend the balancing tolerance from today of 20 percent
16 to now 10 percent. And three, impose a tiered or
17 incremental balancing charges to reflect this change
18 in tolerance.
19 So providing a bit more context and
20 background before I get into the changes, I wanted to
21 start with a quick review of what we mean by system
22 balancing and trending to zero to pull a little more
23 from what Ron reviewed earlier.
24 **Proceeding Time: 9:25 a.m. T07**
25 When we talk about system balancing, a
26 balanced system is when supply matches demand equally.

1 While being perfectly balanced is impossible, on a day
2 we, FEI, responds to system imbalance by adjusting our
3 nomination or our supply upwards or downwards to trend
4 the imbalance to zero.
5 Our system imbalances are tracked under our
6 OBA or operational balancing agreements with pipelines
7 that we interconnect with. The OBA is a paper account
8 that shows our daily and cumulative supply and demand
9 imbalances on our system. For our customers
10 operating under the transportation model, the
11 transportation rate schedules lay out their balancing
12 rules, either daily or monthly balancing, but a
13 fundamental obligation in these rate schedules
14 regarding nomination practices and balancing is that
15 the shipper agent's nomination or requested quantity
16 will equal the shipper's best estimate of the quantity
17 of gas the shipper will actually consume on the day.
18 This essentially speaks to their obligation to
19 balance.
20 So I'm going to look now at the system load
21 balancing that FEI undertakes on a daily basis. This
22 was in our presentation earlier this year in March.
23 FEI is responsible for managing the system as a whole,
24 which includes daily business from sales and
25 transportation customers. Each day FEI provides
26 supply for core sales customers and marketers deliver

1 supply onto our system on behalf of their
2 transportation customers. The total supply in
3 aggregate is delivered to FEI's interconnect to meet
4 the demand for those two customer sets.
5 As one would expect, supply and demand may
6 not be perfectly matched. When imbalances occur FEI
7 manages them with midstream resources under the annual
8 contracting plan that is paid by core customers. At
9 the interconnect, FEI is held to daily balancing.
10 The key take-away here, as emphasized by my
11 green box, is that FEI manages system imbalances as a
12 whole on a daily basis, and in doing so,
13 transportation customers effectively benefit from
14 these services.
15 With that, I'll review our first proposal
16 which is dealing with daily and monthly balancing
17 provisions that we have today.
18 So the transportation offering, service
19 offering has been in place for over 30 years. With
20 the deregulation of the natural gas industry in the
21 '80s, starting in 1985 large volume customers were
22 able to make direct purchase arrangements and their
23 own transportation arrangements on Westcoast.
24 Interim rate schedules were in place
25 between 1985 and 1987, and in 1987 the Commission
26 approved firm and interruptible transportation service

1 for large industrial customers, as well as daily and
2 monthly balancing provisions. At that time, Rate
3 Schedule 22 was approved with monthly balancing
4 provisions.
5 In 1992 unauthorized overrun, or UOR
6 charges, as well as demand surcharges, were approved
7 at that time. As well, in 1982, BC Gas, at the time,
8 sought to change Rate Schedule 22 from monthly to
9 daily balancing in winter months to put them on equal
10 footing with other customers who faced daily balancing
11 year round.
12 In 1993 the Commission approved year-round
13 daily balancing for large interruptible Rate Schedule
14 22 customers.
15 And as well at this time, in 1993, the 20
16 percent tolerance band was approved for daily
17 balancing rate schedules only, with the charge of, at
18 the time, $1.33 per GJ in the winter, and 28 cents per
19 GJ in the summer when this tolerance was exceeded.
20 **Proceeding Time: 9:30 a.m. T8**
21 Monthly balancing provisions have remained
22 unchanged over the years, with the exception in 2014
23 when FEI applied to amend the monthly balancing
24 charge. However, the application was not approved.
25 FEI was directed to review the balancing rules as part
26 of the rate design application that we are looking at

1 today. Bottom line is, the model has remained
2 unchanged since 1993 with no adjustments to rules
3 around tolerances or charges.
4 As I've already mentioned, daily and
5 monthly balancing provisions have been in place for
6 some time. And this slide show how marketers are
7 operating under these provisions. What I am showing
8 here are the days of inventory, either pack or draft,
9 from marketers holding daily balanced groups, which is
10 on the left, and monthly balanced groups on the right.
11 The data here has been taken from the year 2016.
12 We provided these graphs for the years 2014
13 and 2015, in response to a BCUC IR in round one.
14 However, and the 2016 year shown here shows a very
15 similar pattern compared to those two years.
16 The days of pack or draft is calculated by
17 dividing the ending inventory on each day with the
18 average of the previous 30 days. As you can see here,
19 there are different balancing practices that are
20 playing out under the daily and monthly balancing
21 provisions that we have today. As shown by the days
22 of inventory on the X-axis, marketers managing daily
23 balance groups tend to oversupply between three and
24 ten days, while monthly balance groups tend largely to
25 draft, or undersupply between zero and seven days.
26 Why is this? Marketers managing daily

1 balance groups bring on more gas in order to avoid
2 penalty, and are subject to a 20 percent tolerance,
3 whereas monthly balance groups have the ability to
4 draft without penalty, and they aren't subject to the
5 20 percent tolerance.
6 Having said that, as noted in the chart,
7 sometimes monthly balance groups do actually pack.
8 This was shown in the 2014 and 2015 data, as well as
9 here in November and December. In this instance in
10 November monthly balance groups packed the system by
11 up to about two days, and on November 9th, for example,
12 supply was approximately 30 TJs greater than demand on
13 that day. We don't know why this oversupply occurred.
14 It could be due to the fact that November was a
15 slightly warmer month than expected, or perhaps it was
16 pressure from FEI for our shipper agents to balance
17 more tightly. It's difficult to say. I just wanted
18 to address the upper imbalance on a monthly slide
19 here.
20 So, these graphs shows the groups in
21 isolation. What is not shown here is the case when a
22 marketer has a daily and monthly balanced group at a
23 given location. In which case FEI evaluates the total
24 imbalance by taking into account the supply and demand
25 net of the two groups. The next slide will show daily
26 and monthly balancing groups put together.

1 So, what I'm showing here is our
2 daily/monthly balanced transportation customers
3 combined, and the days of inventory held in the years
4 of 2014 and 2015 put together. Similar to the
5 previous graphs, the days of inventory on the system
6 fluctuates throughout the year. As shown here on a
7 net basis, there is always inventory held on our
8 system on behalf of transportation customers. The
9 days of pack ranges from one to five days.
10 In the instances here where the line is
11 moving downwards, this is an indication of drafting on
12 the system, and as well, conversely the upward line
13 when it's moving up, that's an indication of packing.
14 The movement of this inventory is, as you
15 can expect, unpredictable, as it does not show any
16 clear seasonal pattern.
17 **Proceeding Time 9:34 a.m. T9**
18 In order to manage the volatility or
19 movement of this inventory on our system, FEI uses
20 midstream resources, and incurs the variable costs to
21 move gas in and out of storage to do so.
22 By holding marketers to one set of
23 balancing rules and a tighter range, as proposed in
24 the application, we expect that the variances shown
25 here will essentially narrow and result in less use of
26 midstream resources to manage the changes in load.

1 So now with respect to the balancing
2 options, FEI looked at the following listed here. We
3 assessed maintaining the status quo and keeping
4 monthly and daily balancing provisions as we have
5 today. Number two, modified monthly balancing with an
6 increase to the balancing charge. And three,
7 elimination of monthly balancing altogether and moving
8 to exclusive daily balancing.
9 So, both the status quo option and the
10 modified monthly balancing option, we feel, would not
11 address the uneven playing field that exists today.
12 And neither of these options address the Commission
13 directive from the monthly balancing gas application
14 which asked FEI to pursue a rate design mechanism to
15 incent the appropriate balancing behaviour, not just
16 at month-end but during the month as well. Based on
17 this, FEI is not in favour of the first two options.
18 Instead, FEI is proposing to eliminate
19 monthly balancing gas and move to exclusive daily
20 balancing across all service territories. The
21 following slides I will list are justification and
22 reasons for this change.
23 As Ron showed us earlier, the
24 jurisdictional review by Black & Veatch, as well as
25 the review conducted by Elenchus, indicates that daily
26 balancing is industry standard practice. FEI is held

1 to daily balancing provisions with its upstream
2 pipelines and, as such, it makes sense that the
3 shippers managing approximately 40 pecent of the
4 overall system throughput on our system behind FEI
5 adhere to the same set of balancing rules.
6 Tools now exist to enable daily balancing.
7 Marketers have five nomination cycles, compared to two
8 in the past, in which to make adjustments to their
9 supply, to reflect changes in load. Metering devices
10 have improved over time. Wireless devices call in
11 daily with metered data for all customer sites, and
12 our nomination portal, marketers can view individual
13 and aggregate consumption of all of their customers.
14 They can also view historical data, their supply and
15 demand imbalance, and they can use all of this
16 information to assist in determining the daily supply
17 requirements for their customer base.
18 And as proof that the tools available today
19 are sufficient to enable daily balancing, we have
20 marketers managing daily balanced groups today. These
21 marketers manage both small and large customer demand,
22 and they are maintaining imbalances largely within the
23 two- to three-day range.
24 And on the point of fairness, we feel there
25 is no longer justification to have two sets of rules.
26 And it's not fair to hold some customers to a

1 tolerance while others not.
2 We believe that some marketers may be
3 taking advantage of the liberal tolerance that monthly
4 balancing provides, and leaning on the use of
5 midstream resources paid by sales customers. Based on
6 the principle of fairness and leveling the playing
7 field, it is reasonable that all customers should be
8 held to the same set of balancing provisions and
9 rules.
10 **Proceeding Time: 9:39 a.m. T10**
11 A few more reasons listed here. Moving
12 exclusively to daily balancing may reduce or eliminate
13 concerns over arbitrage opportunities captured under
14 the monthly balancing provisions that we have today at
15 the expense of sales customers. As stated earlier,
16 FEI uses midstream resources to balance the system as
17 a whole for which transportation customers effectively
18 benefit from.
19 Moving to one set of balancing rules and
20 provisions may led to more efficient use of FEI's
21 midstream resources. If marketers and their customers
22 behind them are balancing more tightly, FEI may use
23 midstream resources less often to balance on their
24 behalf, which addresses the Bonbright Principle Number
25 3.
26 And as well, exclusive daily balancing

1 would in turn lead to a more fair allocation of FEI's
2 system resource costs, which is in line with Bonbright
3 Principle Number 2.
4 And lastly, at the workshop prior to filing
5 the application, we asked marketers directly for
6 feedback, and generally marketers appeared accepting
7 of the proposal of daily balancing.
8 So for these reasons and considerations FEI
9 is proposing to uphold daily balancing provisions to
10 all customers across all service territories.
11 So now I'll talk about our proposal
12 regarding the balancing tolerance. Currently it is 20
13 percent, which is applied to daily balanced groups
14 only. And I'll first walk you through a calculation
15 of how this tolerance is applied.
16 Forgive the busy-ness of the slide.
17 So the balancing tolerance applies when
18 under deliveries or drafting exceeds a 20 percent
19 threshold. I'll walk you through. So in this
20 incidence, actual supply delivered onto the system is
21 10,000. The actual demand, however, is 15,000. So
22 right off the bat there is an under-delivery of 5,000
23 for which the customer may be subject to daily
24 balancing charges.
25 But moving ahead to the surcharge
26 calculation to determine if the tolerance is exceeded,

it's based on a greater of formula within the tariff. The formula takes the actual supply, which in this case is 10,000, and goes through a calculation deducing the greater of the actual supply times 120 percent or actual supply plus 100 GJs. So in this case, when you do the math, the greater of the two is as I've circled, the 12,000.

So now, the surcharge threshold is based on the 12,000 relative to the actual demand of 15,000. So doing the math in this case, there's now a difference, an under-supply difference of 3,000. So based on this example, if this under-delivery occurred in the winter, the marketer or customer would pay $1.10 per GJ in the amount of $3300. And if in the summer, 30 cents per GJ in the amount of $900.

So looking at transportation imbalances on the day, this graph was provided in the application reflecting 2015 data. What I'm providing here is data from 2016, and it looks at the supply and demand imbalances on a daily basis. The demand is the blue line and the supply is the red. As you can see, the lines are not perfectly matched. The data indicates that gas supply frequently deviates from demand by as much as 50,000 GJs on the day, and as one can see, these imbalances or fluctuations don't follow a specific pattern.

1 Given this, FEI looked at tightening the
2 current 20 percent tolerance in order to reduce the
3 fluctuation or variance in these daily imbalances to
4 incent marketers to manage more closely and match
5 their supply and demand on a daily basis.
6 **Proceeding Time 9:43 a.m. T11**
7 So our first proposal, which I just
8 reviewed, deals with moving to exclusive daily
9 balancing to put all customers and marketers on an
10 even playing field. Our second proposal, as listed
11 here, deals with incenting customers to maange their
12 supply and demand imbalances more tightly.
13 FEI considered these options with respect
14 to the tolerance that we uphold today. We considered
15 keeping the balancing tolerance as is, option number
16 one. But that would not provide the incentive to
17 balance more tightly.
18 As presented in the application and the
19 workshops, FEI also looked at applying a balancing
20 fee, option two. Working with Black & Veatch, we
21 calculated a balancing fee to be applied to all
22 shippers on a per GJ basis in order to recover a fee
23 for FEI's balancing services. In the August, 2016
24 workshop the cost methodology of this proposal was
25 questioned and marketers were generally not in favour
26 of this option.

1 Based on feedback and further evaluation,
2 we determined that a balancing fee would not provide
3 the right price signal to incent the right behaviour.
4 Further, a balancing fee would effectively penalize
5 some of the marketers today who are managing within
6 tighter tolerances and bearing the costs to do so.
7 Instead, FEI is proposing to tighten the
8 balancing tolerance from 20 to 10 percent, to better
9 incent marketers to manage supply and demand
10 imbalances more closely.
11 So why, or how did wecome up with 10
12 percent? Both Elenchus and Black & Veatch conducted
13 industry reviews of the tolerance upheld by utilities
14 in Canada and the United States. This research shows
15 some utilities with a balancing tolerance of 5 percent
16 or less. And as indicated earlier by Ron, utilities
17 rarely exceed 10 percent and in also very rare cases
18 uphold as low as zero percent.
19 FEI feels a tolerance change from 20 to 5
20 percent would be too stringent, as the terms and
21 conditions in our rate schedule today allows FEI the
22 right to impose a 5 percent supply restriction when
23 warranted.
24 So to better determine what the tolerance
25 should be, how we arrived at the 10 percent, FEI
26 looked in more granular detail as to how marketers are

1 balancing today.
2 So, this table was provided in the
3 application and shows how individual shippers are
4 balancing today. The data presented here is for the
5 years 2014 and 2015, which have been analyzed
6 together.
7 So I'll go through the columns. The
8 shipper agent column, each letter corresponds to a
9 shipper agent that has a pool in the Lower Mainland
10 and/or inland or interior service areas. Daily or
11 monthly indicates the composition of the group types
12 that that marketer specifically holds. The service
13 area, whether the customer pool is in the Lower
14 Mainland or the Interior. The number of days of
15 imbalance per year is the number of days in which
16 shipper agents exceeded the 10 percent tolerance, and
17 the demand per day is the average volume of gas
18 delivered to the customer's pool per day, to give you
19 an idea of the size of the marketer group.
20 So it's the last two columns that I want to
21 draw your attention to. Generally, though, I can tell
22 you that none of our marketers are perfect. Sorry to
23 break the bad news. All have exceeded the 10 percent
24 tolerance as marked by the number of imbalance days
25 per year column.
26 What the red line is doing is marking or

1 distinguishign the better performers from the poor
2 performers that we have today. So below the red line
3 demonstrates or shows shipper agents, largely all
4 shipper agents listed there, managing daily balancing
5 groups exclusively. And as you can see, they exceed
6 the 10 percent tolerance less than 20 days in the
7 year. And as you can see by the demand per day, those
8 below the red line are managing both small and large
9 customer groups.
10 **Proceeding Time: 9:48 a.m. T12**
11 Now, looking above the red line, these
12 marketers have groups with both daily and monthly
13 combinations and some hold sole monthly balanced
14 groups. As you can see, these marketers exceed the 10
15 percent tolerance between 100 to over 200 days in the
16 years, and the range of demand per day is similar to
17 those below the red line.
18 So what I'm trying to show here is that you
19 have -- there's two different behaviours going on
20 today. Some are holding daily balanced groups
21 exclusively and managing within 10 percent today, and
22 under the rules that we have in place, other marketers
23 are managing differently and incurring imbalances,
24 negative imbalances throughout the year at a much
25 greater rate throughout the year.
26 So based on this, FEI is proposing to amend

1 the balancing tolerance from 20 percent to 10 percent.
2 So given the tighter tolerance, we evaluated what the
3 appropriate charges should be for this tighter
4 balancing tolerance.
5 FEI is proposing a tiered approach in order
6 to layer in charges that are incrementally higher as
7 the threshold percentage is exceeded. With respect to
8 the Tier 1 range, given that marketers today have
9 demonstrated their ability to operate within their
10 range, to some degree, and have beared [sic] the cost
11 to do so, as demonstrated by my previous slide, FEI is
12 not proposing a charge within this range.
13 As for the middle tier, Tier 2, FEI is
14 proposing a 25 cents charge per GJ when imbalances
15 occur within this bandwidth. And with respect to the
16 Tier 3, FEI is not proposing any changes to the
17 existing charges in place today.
18 So we feel this tiered approach with
19 respect to charges sends the right price signal to
20 incent the right behaviour to shippers to manage more
21 tightly as tolerances are exceeded. If imbalances are
22 managed more tightly, it will lead to a more efficient
23 use of FEI's system or midstream resources. And
24 should charges be incurred for exceeding these
25 incremental threshold levels, they will be credited
26 back to the midstream portfolio which accounts for a

more fair appointment of costs among sales customers.

So digging into how we arrived at the 25 cents. FEI evaluated the variable costs involved to balance the system, which is effectively the cost to move gas in and out of storage. FEI evaluated this potential charge using a range of commodity prices as listed here. The middle section of the table shows the variable fees, such as the northwest pipe commodity charges, pipeline fuel, and storage fuel. The northwest pipe and storage fuel costs were calculated as a percentage of the commodity price. So as you can see, the resulting incremental variable costs range from 20 cents per GJ to 33 cents per GJ.

Based on this analysis, this is how we derived the 25 cents charge for the 10 to 20 percent range. FEI felt it was reasonable to apply a flat charge in both summer and winter months, as this charge, as calculated, should reasonably recover costs of balancing within this range.

And as I indicated earlier, FEI is not making any changes to the existing changes for the now Tier 3 when the 20 percent tolerance is exceeded.

We feel this tiered approach is reasonable and provides an incremental incentive to balance more tightly.

Proceeding Time: 9:52 a.m. T13

1 So with that, in summary, there are three
2 proposals. Number one, to eliminate monthly balancing
3 and move to exclusive daily balancing for all
4 customers in all service territories. Amend the
5 balancing tolerance from 20 percent to 10 percent, and
6 implement a tiered balancing charge tolerance when
7 adopting the 25 cent charge within the 10 to 20
8 percent range. And that's it.
9 MR. LANGLEY: I think a couple of slides back -- oh
10 sorry, Jim Langley, with the Industrial Consumers
11 Group. A couple of slides back you had the slide that
12 showed the balancing charges. Yeah, 25 cents, that
13 one. Or related to Sumas -- there you go, that's it.
14 Sumas price as a relationship to the variable cost.
15 You've also pointed out that beyond 20
16 percent, the balancing costs are currently $1.10 in
17 the winter, and 30 cents in the summer. Can you
18 reconcile that $1.10 against any of the prices that
19 you've got here? I'm just wondering why there is such
20 a huge jump of you've calculated costs up to 33 cents,
21 but your current prices are $1.10?
22 MR. HILL: Shawn Hill, Fortis. Well, the existing tariff
23 at the $1.10 and 30 cents, Jim, is supposed to be a
24 punitive penalty.
25 MR. LANGLEY: It's supposed to be punitive. How do you
26 know -- when did that become determined that it was a

1 punitive penalty?
2 MR. HILL: Well because we feel that the threshold, that
3 20 percent is -- the marketer is not doing a
4 reasonable demand to manage his supply/demand.
5 MR. LANGLEY: Okay.
6 MR. HILL: And that's the way its been for years.
7 MR. LANGLEY: That's the way its been for some years, but
8 I don't know that it was considered punitive at the
9 time that that rate was developed. Because I was part
10 of the group that developed it. We just didn't know
11 what the charge should be, so we came up with
12 something that we thought was appropriate at the time,
13 which Stephanie has pointed out, was greater than 20
14 years ago.
15 Mr. HILL: Yeah.
16 MR. LANGLEY: I think that given the development of the
17 gas market in that timeframe, it might be worthwhile
18 to look at whether that charge is still reasonable.
19 MR. HILL: Well, so that's maybe a good point, but that
20 was not asked in any of the IR questions that we had.
21 MR. LANGLEY: Okay, fair enough.
22 MR. HILL: During the process.
23 MR. LANGLEY: Next question, Stephanie, you had a slide
24 where you showed the difference between the
25 transportation supply and demand over a particular
26 year. I guess that's it. This is transportation

1 volumes only?
2 MS. SALBACH: Correct.
3 MR. LANGLEY: Did you ever compare those transportation
4 volumes with core market swings and find out where the
5 transportation customers were in fact aiding the core
6 market in managing their imbalances? Or helping them
7 with that imbalance? Presumably at some point in
8 time, the transportation customer's swings are in
9 direct opposite to the core market, and in fact they
10 net to zero and are helping each other out. Do you
11 examine that?
12 MR. HILL: Well, Jim, fair point to that is, is that --
13 there’s a couple of points. One is the midstream is
14 paying -- the sales customers are paying for all the
15 underlying fixed assets.
16 MR. LANGLEY: Right.
17 MR. HILL: So if we go back to the other slide, the
18 charges slides. This is just variable cost.
19 MR. LANGLEY: Okay.
20 MR. HILL: Right? So the midstream is paying for all the
21 underlying fixed costs of the storage assets and the
22 transport, right?
23 MR. LANGLEY: Correct.
24 MR. HILL: So, at the end of it, what we're trying to do
25 is to -- the bandwidths of the charges is trying to
26 incent the right behavior for the marketers to balance

their supply/demand within a reasonable tolerance.

MR. LANGLEY: Sure.

Proceeding Time 9:57 a.m. T14

MR. HILL: And it's the variable costs, because the midstream is going to hold the fixed costs.

MR. LANGLEY: Right.

MR. HILL: What we're trying to do is recover the variable costs of the movement of gas to get those supply/demand balances in more equilibrium on a daily basis.

MR. LANGLEY: Right.

MR. HILL: To reduce the variance.

MR. LANGLEY: Right, and I --

MR. HILL: And that's driven -- that drives the variable cost.

MR. LANGLEY: Okay. And I would argue that the $1.10 and 30 cent charges that you have are an incentive for customers to do their best to manage. Clearly in some situations they are unable to do so, and I think we could examine why that is. But to the extent that the poor market and the transportation customers occasionally have balances in opposition to each other, they're helping each other out, and why penalize somebody if they're actually helping your system?

MR. HILL: But that's a point why we got a zero cost at

1 zero to 10 percent.
2 MR. LANGLEY: Okay. All right. One final question on
3 your presentation, Stephanie, and that is this slide
4 that you have that shows the customer, or the shipper
5 agents that are good versus bad, if you will. The
6 better than ten and less than ten. This one.
7 And I apologize, because I've never -- I
8 see now as a footnote, this is an answer to CEC IR.
9 But there was also another slide there similar to
10 this that didn't differentiate between daily and
11 monthly. And that is the question I want to ask about
12 now.
13 When you say the numbers that are
14 calculated in this slide, where you've identified that
15 the shipper agent has both daily and monthly groups,
16 are the demand per day calculations calculated
17 separately between the daily and the monthly groups,
18 and then added together? Or are they netted on the
19 day?
20 MS. SALBACH: So, it's in the case of where a customer
21 -- where a shipper agent has a daily and a monthly
22 group, we are looking at the average demand for those
23 two groups put together.
24 MR. LANGLEY: Sorry, the average demand --
25 MS. SALBACH: Average demand over two years. So this
26 data was 2014 and 2015 data combined.

1 MR. LANGLEY: Mm-hmm. I recognize that.
2 MS. SALBACH: So in order to deduce the demand per day,
3 we looked at the average demand of the two groups over
4 the two years.
5 MR. LANGLEY: Okay, maybe I need to give you an example
6 so that you and I can make sure we understand each
7 other. You've pointed out that the way a lot of these
8 marketers do their business is to underdeliver to
9 their monthly customer and then overdeliver to their
10 daily in order to avoid the $1.10 and 30 cent
11 balancing charges, correct? That's typical?
12 MS. SALBACH: Yes.
13 MR. LANGLEY: Okay. So let's take a scenario on a given
14 day where they've delivered zero to their monthly
15 group, because they don't need to, they're going to
16 fix that later, and they've delivered 100 to their
17 daily group. And, you know, let's say that their
18 monthly group took 10, and their daily group took 50.
19 Follow me so far?
20 So, I've got to check my own math here. If
21 the daily group -- or the monthly group was out of
22 balance by 10, the difference between 0 and 10, and
23 the daily group was out of balance by 50, the
24 difference between 50 and 100, is the calculation on
25 that day 60, or is it 40?
26 MR. TAYLOR: This is John Taylor, Black & Veatch. I

1 think the confusion might arise that that column is
2 representing just the demand of the customers. You're
3 talking about the last column, demand over the day,
4 average demand?
5 MR. LANGLEY: Yeah. Well, maybe this is a different
6 chart again, or a different column than you previously
7 had. Because before you were talking about the
8 difference beyond 10 percent. Maybe I should put this
9 off to a later question, because I'll reference the
10 graph then.
11 MR. TAYLOR: The last column there is just the average
12 demand per day. So it's just a measurement of demand.
13 It doesn't take into account any of the supply side of
14 what's being supplied. It's just the demand of those
15 customers, aggregated.
16 MR. LANGLEY: The average demand per day annualized for
17 that particular combination of daily and monthly
18 customer group.
19 MR. TAYLOR: Correct.
20 MR. LANGLEY: Okay, thank you. That's it, thank you.
21 MR. HILL: Because, Jim, we're trying to get to establish
22 the threshold. This graph is trying to establish, is
23 the threshold of 10 percent a reasonable threshold.
24 MR. LANGLEY: Right. Okay. Thank you.
25 THE CHAIRPERSON: Are there any other clarifying
26 questions before we move on? Okay.

1 Who wants to -- who's starting? Mr.
2 Weafer.
3 MR. WEAFER: Chris Weafer for the Commercial Energy
4 Consumers. And I'll preface the questions that the
5 Commercial Energy Consumers are typically focused on
6 the core market interests, and so we respect what
7 Fortis is trying do in terms of recoveries to the
8 core. We also have customers that are with agents and
9 sales customers, and so we're kind of in both sides of
10 the fence on this topic.
11 **Proceeding Time: 10:02 a.m. T15**
12 So I'll do my best to straddle the -- and my questions
13 are really clarifications and acknowledge that there's
14 been a lot of work put into this over the last year
15 and half by Fortis in workshops and otherwise, and the
16 IR process. So we're really down to, I think more
17 clarification questions.
18 And firstly, Mr. Amen, this morning you
19 went through the volumetric versus tiered approach,
20 and I just want to address the logic approach to this
21 in terms of the costs that arise from total GJs in
22 terms of imbalance on the system are not really as a
23 percentage of customer use but are really as a volume
24 of use. I mean, a 10 percent threshold from a large
25 customer is going to cause more cost to the system
26 than a ten percent tolerance to a small shipper. Is

1 that fair?
2 MR. AMEN: Yeah, that's generally true. But of course,
3 the utility has to manage all of those, big and small,
4 so it's always dealing with those on an aggregate
5 basis every day.
6 MR. WEAFER: But on the concept of the cost should
7 follow the cause, the larger shipper with a 10 percent
8 tolerance has the potential to cause more cost on the
9 system, is that fair? Than the smaller shipper who
10 is a 10 percent tolerance of smaller amount.
11 MR. AMEN: I think generally that the -- if the large or
12 small shipper can manage within a certain range, it
13 makes it easier for the utility to manage those
14 balances or imbalances than otherwise. Certainly the
15 larger volume that's being out of balance brings with
16 it at least larger amounts of variable costs.
17 MR. WEAFER: Yes. And even within the tolerance, they
18 are causing larger costs. The 10 percent is on a
19 larger volume of GJs than a smaller customer.
20 MR. AMEN: Yes, well certainly if they could balance to
21 zero, there wouldn't be any cost, but that's not the
22 case.
23 MR. WEAFER: And that's where I wanted to go, and it's
24 still on the logic of the approach, is conceptually,
25 could a model be developed on a per GJ basis from
26 starting at zero, and per GJ the incremental cost went

1 up per GJ. So the volumetric -- or the penalty
2 increases starting at zero, and as the volume
3 increased the penalty increased such that there would
4 be balance between small shipper and large shipper in
5 terms of incremental costs being charged for being
6 imbalanced?
7 MR. AMEN: Yeah, you have to keep in mind we're still
8 dealing with variable cost per GJ. So, if you had a
9 sliding scale, if you will, and really, we had kind of
10 an example of that appear earlier, establishing some
11 tolerance levels, it's probably a lot more manageable
12 than trying to have some kind of sliding scale all
13 along the range of values. And again, you have to
14 also deal with the administrative ability to manage
15 such a scheme, and I, quite frankly, don't see very
16 many examples at all of that in the industry.
17 MR. WEAFER: So the costs would outweigh the benefit.
18 In terms of all the volumetric -- the large customer
19 may cause more costs, the cost of an approach like
20 this --
21 MR. AMEN: Yeah, and where do you draw the line? You
22 could try and slice the cheese as thin as possible,
23 but at some point, just administratively not feasible.
24 MR. WEAFER: Fair enough.
25 MR. HILL: Mr. Weafer, I think it is possible that you
26 could start at zero but we chose for a variety of

1 reasons not to start at zero. First of all, as Ron
2 pointed out, it's not industry's practice generally to
3 start charging for tolerances at zero. We actually
4 have an OBA balance with our upstream pipelines that
5 don't charge us a penalty charge at zero either.
6 But we trend to zero. So there is some
7 leeway on the midstream assets to balance on a daily
8 basis, because we're not being charged by the upstream
9 pipeline. But in some jurisdictions, if the upstream
10 pipeline was charging you for every GJ that you were
11 out of balance, well, then you might have to go to the
12 model that you're looking at. But we have a little
13 bit of a starting point of zero to ten. We felt it a
14 reasonable approach from where our customers are today
15 and the shipper agents, to move down the scale and we
16 think that's appropriate.
17 MR. WEAFER: Fair enough. Let's move to the scale then
18 and the election. And maybe if we could turn to — and
19 again, Mr. Amen, if you might deal with it first — the
20 two slides, which I think are a very good summary,
21 slides 15 and 16 for today's presentation and the
22 reasons for daily balancing.
23 **Proceeding Time: 10:07 a.m. T16**
24 So, the election Fortis has made is to go
25 from 20 percent to 10 percent. If we look at these
26 reasons for daily balancing, including reducing

1 arbitrage, and improving system efficiency, Mr. Amen,
2 would you agree with me that these topics would be
3 even more effectively targeted moving to 5 percent as
4 opposed to 10 percent in terms of the threshold?
5 MR. AMEN: Well, certainly 5 percent is a predominant
6 level in the industry. However, I think Fortis looked
7 at this more as a transitional step, if you will, such
8 that they felt it was appropriate and adequate to move
9 to 10 percent given the number of years that 20
10 percent had been in place.
11 MR. WEAFER: And so, the question though, in your
12 opinion, if you look at these objectives of daily
13 balancing, and based on your assessment of generally 5
14 percent being the tolerance, would Fortis more
15 effectively achieve these objectives, moving from 20
16 percent to 5 percent?
17 MR. AMEN: Well, I think you have two things at play
18 here. First of all, you have marketers that are
19 doing, as the one slide showed, a very good job
20 without a lower tolerance in balancing the demands and
21 the deliveries of their customers. And so I think it
22 was important for -- in the mind of FEI, not to want
23 to penalize good behavior.
24 And secondly, I think that in terms of
25 arbitrage opportunities and so forth, they tend to
26 diminish once you get to a certain level, and I think

1 a 10 percent level is probably adequate to minimize
2 those opportunities.
3 MR. WEAFER: Probably adequate, but your evidence is in
4 more jurisdictions, 5 percent is seen as the fairer
5 tolerance, is that correct?
6 MR. AMEN: Well, in particular, in those instances there
7 is much tighter tolerances at the pipelines and less
8 opportunity for handling those tolerance levels on
9 their own. But certainly, 5 percent is better than
10 10.
11 MR. WEAFER: So, in terms of the talk in terms of
12 transition, would you see it being -- and in terms of
13 trying to ensure costs are following the cause, and
14 the Commission approving a move to 5 percent at a
15 later date is that it's 10 percent for three years,
16 and 5 percent to go forward, that there be a
17 transition phase to get to 5 percent?
18 MR. AMEN: You know, I really don't wish to speculate,
19 but I think some history, some experience with moving
20 to a 10 percent threshold would be warranted before
21 any decision or effort to move at a more tighter
22 tolerance level.
23 MR. BYSTROM: And I would just add, Chris, that, you
24 know, under the current rules, FEI can impose a 5
25 percent tolerance now under supply constraints. So
26 there is that option in existence today.

1 MR. WEAFER: Yes, and so if the core is looking for a
2 tighter tolerance not in the election, but mandated at
3 all times, is that a reasonable target -- what would
4 be a reasonable period of time of being at 10 percent
5 before moving to 5 percent in terms of gaining the
6 experience?
7 MR. HILL: So, Chris, there is a couple things there.
8 One is, you have to -- you know, 5 percent, yeah, you
9 could go there, but we are making a substantial amount
10 of changes already from monthly to daily, so we have
11 to get some history here, and market conditions and
12 things could take a three or five-year period of time
13 to play out to get some quality data to look at things
14 over time, given that you're going to make a change on
15 monthly to daily potentially, if the Commission
16 approves that. Then you're actually adding on another
17 layer of a tolerance change, and different market
18 conditions and things like that.
19 **Proceeding Time: 10:12 a.m. T17**
20 So it's hard for us to predict how good or
21 bad the behaviour is of the marketers. Some of them
22 might just bear the costs of the tolerance. It's up
23 to them now, based on the incentive, to decide are
24 they going to bear the cost to do a better job
25 themselves or pay the variable costs? It's their
26 decision and I can't speak for them how they are going

1 to go about doing that.
2 MR. WEAFER: So do you have a sense of -- you've talked
3 about there's a lot of change as part of this
4 application and it will take time for market to
5 adjust. Do you have a sense of time as to when Fortis
6 would move to what seems to be the dominant tolerance
7 in the industry, 5 percent?
8 MR. HILL: I guess what we get back to is we're held to a
9 certain zero -- like our OBAs. We're not bearing a
10 charge at 5 percent from the upstream pipelines
11 either, right? So we have some variance based on our
12 core load, the total throughput with our interconnect
13 and we're not bearing a charge there. Westcoast isn't
14 charging us penalties on OBA, so why would we want to
15 start to reflect that through to customers either?
16 That's not -- in the business of moving gas through
17 the system, we want customers to take gas and burn
18 gas, because that has an overall benefit to the
19 overall system as a whole too, right?
20 MR. WEAFER: Thank you, those are my questions.
21 THE CHAIRPERSON: I think we're going to take a break
22 until 10:30.
23 **(PROCEEDINGS ADJOURNED AT 10:15 A.M.)**
24 **(PROCEEDINGS RESUMED AT 10:30 A.M.)** **T18**
25 THE CHAIRPERSON: Go ahead, Mr. Bursey.
26 MR. BURSEY: Thank you, Madam Chair. I'm asking some

1 questions on behalf of the Industrial Customer Group.
2 I'll have just a few questions. In fact I have about
3 six questions, and the answers to the questions which
4 are perfectly reasonable, are yes. If the answer is
5 not yes, then we might have a few more. And then Mr.
6 Langley might have a few more technical questions.
7 So, Ms. Salbach, in your earlier
8 presentation you said a couple of things, including
9 being perfectly balanced is impossible, and
10 transportation shippers are required to use best
11 estimates. Did I get that right?
12 MS. SALBACH: Correct, yes.
13 MR. BURSEY: And so a reasonable transportation shipper
14 will be trying to balance the costs of being
15 undersupplied versus the costs of overcontracting, to
16 be oversupplied on the system. I think that's a
17 statement that both you and Mr. Amen said, is that
18 correct?
19 MS. SALBACH: Mm-hmm.
20 MR. BURSEY: And you would also affirm.
21 So, a responsible shipper that's exhibiting
22 the behaviour that you want would, in most cases,
23 probably 100 percent of the time be oversupplied. Is
24 that correct?
25 MS. SALBACH: To what degree of oversupply each shipper
26 -- you know, we don't expect a huge degree of

1 oversupply, but yes, the rules would incent generally
2 speaking to be a bit above on a daily basis.
3 MR. BURSEY: Right. And your graph, where you showed the
4 pack on the system, demonstrates that for the shippers
5 that are currently required to be daily balanced, that
6 they tend to be oversupplied rather than undersupplied
7 to avoid penalties. That's correct?
8 MS. SALBACH: Correct, yes.
9 MR. BURSEY: And having that extra pack on the system
10 assists FEI in managing its balancing requirements,
11 both for its core market and also with the upstream
12 transportation pipeline?
13 MS. SALBACH: Well, when you use the word "assist", FEI
14 contracts midstream resources under the annual
15 contracting plan to manage the supply needs of core
16 customers. So we bear the fixed costs --
17 MR. BURSEY: Right.
18 MS. SALBACH: -- to manage this supply and demand, or the
19 demand of core customers. So, your question
20 specifically is --
21 MR. BURSEY: Well, to the extent that you have extra pack
22 on the system, you have some tolerance on the system
23 operationally on a daily basis, that you can manage
24 the supply of your core customers.
25 MS. SALBACH: So, as I showed in my slide, the days of --
26 the pack incurred by transportation customers is

1 variable. It fluctuates.
2 **Proceeding Time: 10:33 a.m. T19**
3 And so therefore it's unreliable from FEI's
4 perspective. We don't ask for transportation
5 customers to provide us with excess gas beyond
6 reasonable levels.
7 MR. BURSEY: No, no, but earlier in the questioning we
8 established that customers exhibiting behaviour that
9 you're trying to get with these changes will tend to,
10 in most cases, to have more supply in the system than
11 they actually require.
12 MS. SALBACH: That's correct, they tend to have more
13 supply.
14 MR. BURSEY: And to the extent that's true, that assists
15 FEI in managing its balancing requirements, does it
16 not?
17 It seems fairly straight forward. You've
18 got extra supply in the system that's packed beyond
19 the demand of the transportation customers.
20 MR. HILL: And so we do get oversupplied a little bit on
21 the daily, but as Stephanie mentioned there, we can't
22 rely on it. It's not predictable. How much is the
23 over-supply? And ultimately we have to return that
24 gas to them at some point and time too, from an
25 imbalance return perspective.
26 MR. BURSEY: But to the extent it's there, it's

1 something that you can draw on on a day.
2 MS. SALBACH: No, we would have to bear the costs to
3 manage to that excess supply. In other words, incur
4 variable costs to move in and out of storage and so --
5 and as Shawn says, return it at a later date and may
6 incur variable costs to do so at that time as well.
7 MR. TOKY: So if I can just interject here. So the
8 answer to your question, David, is no, and that's what
9 basically Stephanie and Shawn is explaining why.
10 There is an additional pack which is provided by the
11 transportation customers. So on any given day we
12 can't rely on that for the balancing of the core
13 market requirements or any other requirements. So
14 just because it fluctuates over the year, and it is
15 unreliable, so the answer is no, and those are the
16 reasons that are given by them.
17 MR. BURSEY: Right. Thank you. But you can't rely on
18 it, but to the extent that you are short in your
19 supply on the system, and your core market supply
20 draws more than you had in the system, they are going
21 to be drawing from that pack, are they not? And
22 you'll feed in to make up that balance later. Isn't
23 that correct?
24 MR. TAYLOR: Can you repeat the question? We had a
25 conversation --
26 MR. BURSEY: Sure, that's okay. If you need to talk

1 further, go ahead, because -- I'll ask my questions.
2 To the extent there's extra pack in the
3 system and the core market that FEI is serving draws
4 more than you would expect on that day, it gets
5 slightly colder, there's more demand, they'll draw
6 from that pack, won't they?
7 MR. HILL: That assumes, Mr. -- that --
8 MR. BURSEY: You didn't rely on it, but that's the
9 consequence.
10 MR. HILL: We actually have to -- if the supply on the
11 other side of the equation is if we're matching supply
12 demand for the core, and we're long resources because
13 of that pack, what do we actually do with it?
14 MR. BURSEY: Right.
15 MR. HILL: We actually have to turn the resource down on
16 the core side to absorb the gas from the sales -- from
17 the transport customers, and then ultimately we
18 actually have to return the gas to you. So how is
19 that a net benefit to the core?
20 MR. BURSEY: Well, on the day that the demand is there--
21 MR. HILL: We have to turn down some of our resources
22 potentially.
23 MR. TOKY: And the point that we are trying to make here
24 is those resources that we are turning down on that
25 day have already been contracted for under the annual
26 contracting plan, so some of those costs are actually

1 the fixed costs, you know, which are pertaining to
2 those transportation capacity and the storage related
3 assets that sales customers contract for under our
4 midstream portfolio.
5 **Proceeding Time 10:37 a.m. T20**
6 MR. BURSEY: So it's a disadvantage to have industrial
7 pack in the system?
8 MR. HILL: It's something that we have to manage and
9 bear the cost for.
10 MR. BURSEY: So why are you introducing tolerances
11 that'll force more of that pack to come into the
12 system?
13 MR. HILL: We're not.
14 MR. BURSEY: Well, by going from 20 percent 10 percent
15 that would be a consequence.
16 MS. SALBACH: No, but we see marketers today --
17 MR. BURSEY: I'd like to answer that question. Going
18 from 20 percent daily tolerance to 10 percent daily
19 tolerance, wouldn't you expect that the T -- the
20 transportation customers that are exhibiting the
21 behaviour that you want would err on the side of
22 having too much on the system than too little? Is
23 that correct, Mr. Hill?
24 MR. HILL: That's a potential outcome.
25 MR. BURSEY: Yes.
26 MR. HILL: But --

1 MR. BURSEY: Isn't it a likely outcome?
2 MR. HILL: No, because we have existing customers today
3 that are managing within the 10 percent tolerance and
4 managing within a two to three pack, day pack.
5 MR. BURSEY: Right, so those customers might continue
6 with the behaviour they have, but the ones that are
7 not exhibiting the behaviour that you have, wouldn't
8 you expect them to move to having more gas on the
9 system?
10 MR. HILL: Well, and then they still have to apply to the
11 tariff, which means to match supply and demand, to
12 which we can ask them to reduce their --
13 MR. BURSEY: Right, so aren't you -- wouldn't you expect
14 with these increased tolerances that the customers
15 that tend to be under their supply more often would
16 move to a situation where they'd be having more supply
17 in the system? Isn't that what you're trying to get
18 them to do?
19 MR. HILL: No, no. No, we're trying to get them to
20 manage on a closely day-to-day basis, to manage their
21 supply and demand within a 10 percent tolerance.
22 MR. BURSEY: So you have a number of customers currently
23 that are on monthly balancing and you'd like to move
24 them all to daily balancing. And the graph earlier
25 that you put up, Ms. Salbach, showed that those that
26 are on monthly balancing tend to be drawing from the

1 system quite often. They're under supply. So
2 wouldn't you expect, if you moved to daily balancing,
3 that those monthly balancing customers would put more
4 gas on the system so they're avoiding being under on
5 any particular day?
6 MS. SALBACH: We would expect them to manage within a
7 tighter tolerance and match supply and demand.
8 MR. BURSEY: Right, which would mean putting more gas in
9 the system to make sure there's not under --
10 MS. SALBACH: To adequately match supply and demand,
11 right.
12 MR. BURSEY: Right, so that's putting more gas in than
13 you'd currently see on a day -- daily basis.
14 MR. TAYLOR: I think --
15 MR. BURSEY: I'd like an answer from her first.
16 MR. BYSTROM: Excuse me, Mr. Bursey. The witnesses can
17 answer the question.
18 MR. BURSEY: Right, but I'm having a conversation with
19 Ms. Salbach.
20 MR. BYSTROM: Mr. Bursey, it's a panel here.
21 MR. BURSEY: My questions for you will be later, Mr.
22 Bystrom.
23 MR. BYSTROM: I'm not answering a question, Mr. Bursey.
24 John Taylor here has something to add to your last
25 question.
26 MR. BURSEY: Okay.

1 MR. BYSTROM: So before you proceed.
2 MR. BURSEY: Go ahead, Mr. Taylor.
3 MR. TAYLOR: Thank you. I think the questioning is going
4 down the route of us trying to ascertain the business
5 practices of the suppliers of the marketers, and it's
6 hard to know exactly if they will overpack or to what
7 degree they will. There's obviously a cost to them of
8 doing that. So they have to weigh the cost of
9 overpacking and the additional supply that they would
10 put above what they're anticipating with the
11 alternative, which is the balancing tolerance tiers
12 and levels that are being set up by Fortis.
13 So it's hard to predict exactly to what
14 degree they'll overpack. I think to sum it up,
15 they're trying -- Fortis is trying to set the rules up
16 to decrease the delta, the difference between the
17 supply and demand, to reduce the amount of imbalances
18 that they have to do something with.
19 MR. BURSEY: But if I understand the gist of the
20 conversation we've been having, Fortis would like to
21 try to avoid under supply, so being -- so that you
22 don't want over supply but you would want on a daily
23 basis that industrial customers be more in balance so
24 you'd avoid the graph situation which was showing that
25 there was a number of monthly customers -- monthly
26 balance customers that were undersupplied on a daily

1 basis. That question was not clear.
2 You had --
3 **Proceeding Time 10:42 a.m. T21**
4 MS. SALBACH: So, clarify.
5 MR. BURSEY: No, the entire point of moving from monthly
6 balancing to daily balancing is to make sure that
7 you're in tighter supply on a daily basis. Is that
8 correct, Mr. Taylor?
9 MS. SALBACH: Well, moving to daily balancing, yes.
10 MR. BURSEY: Right.
11 MS. SALBACH: We expect, as we do today, for shipper
12 agents to manage their supply and demand with best
13 efforts to bring on enough supply to meet demand.
14 MR. BURSEY: And we agreeed earlier, and both you and Mr.
15 Amen said in your presentations, that you're -- when
16 you're weighing the difference between overcontracting
17 for supply or paying penalties, you're going to tend
18 to err on the side of being oversupplied slightly.
19 MS. SALBACH: We don't --
20 MR. BURSEY: It's hard to hit 100 percent perfectly. You
21 said that balancing is -- perfect balance is
22 difficult.
23 MR. BYSTROM: Mr. Bursey, just one question at a time.
24 MR. BURSEY: Sure.
25 MR. BYSTROM: It's getting a little hard for the
26 witnesses to follow.

1 MR. BURSEY: Thank you, Mr. Bystrom.
2 MR. BYSTROM: So, what's your question?
3 MR. BURSEY: Ms. Salbach, you said that perfect balancing
4 is difficult. Right?
5 MS. SALBACH: Sure, yes.
6 MR. BURSEY: And to avoid penalties, you're going to have
7 to contract slightly over than your target, to make
8 sure that you don't fall under your target, most of
9 the time. Is that correct?
10 MS. SALBACH: Well, what we see today is generally daily
11 balanced groups bring on somewhat more supply than
12 what is needed within reason.
13 MR. BURSEY: Right.
14 MS. SALBACH: To balance on a daily basis. But what they
15 will -- what customers, and what Shawn had said
16 earlier, what marketers will do going forward, will
17 they bear the costs to manage more tightly, or will
18 they -- you know, or will they incur the penalty and
19 that's their commercial choice.
20 MR. BURSEY: Right. But there's a group of customers
21 that are currently monthly balanced that is going to
22 be brought into that same category as the daily
23 balanced category of customers.
24 MS. SALBACH: Yes.
25 MR. BURSEY: Would it not be reasonable to expect they
26 would exhibit similar behaviour to the ones that are

there currently?

MS. SALBACH: Well, we would expect that marketers today, some marketers, have daily and monthly balance groups together.

MR. BURSEY: Right.

MS. SALBACH: And some have just monthly, and some have just daily. We would expect that as I showed with the graph with the red line, of groups today managing daily balance to customers, of small and large demand on a daily basis, they're doing so today within that 10 percent tolerance, less than -- you know, on a -- largely throughout the year.

So we would expect that based on the fact that it's being done today, that the other shipper agents managing daily and monthly groups, and those managing monthly groups exclusively, can adopt similar tendencies or day-to-day practices as daily -- as others are demonstrating today.

MR. BURSEY: I think you've agreed with me that moving from -- the customers moving from monthly to daily balancing would tend to follow the same types of practices as the ones that are daily balanced today, so they would tend to oversupply slightly.

MS. SALBACH: They may.

MR. BURSEY: Would you expect that? Isn't that what you're trying to get them to do?

1 MS. SALBACH: Well --
2 MR. BURSEY: Can we put up the slide where you have the
3 comparisons, the daily --
4 MR. HODGINS: When they get moved into the daily balance
5 group, there is a tool of imbalanced returns, so it's
6 accessed to their inventory. So Fortis allows, when
7 the marketers are delivering gas in on behalf of their
8 customers, they can utilize a portion of their
9 inventory as a portion of the supply. So your -- and
10 Fortis can control how much their imbalance return or
11 access to inventory they are allowing.
12 So your point was saying that you're going
13 to tend to possibly overdeliver, but you don't have to
14 always overdeliver if your -- you have that inventory.
15 And Fortis is trying to work to maintain a couple of
16 days of inventory working with the marketer and the
17 customers. But you can utilize all the tools in the
18 tool box --
19 MR. BURSEY: Right.
20 MR. HODGINS: -- to try to match your supply and demand
21 more tightly. And that's what we're trying to achieve
22 through the application.
23 MR. BYSTROM: Right. And before you -- you actually
24 asked two questions again. You've got what you expect
25 and what we're trying to get them to do. And I think
26 the witnesses should answer the questions, what we

1 expect and what are we trying to get them to do. Two
2 questions.
3 MR. BURSEY: Okay. What are you trying to get the
4 customers in the monthly balancing --
5 MS. SALBACH: What do we expect? We expect that all --
6 MR. BURSEY: Sorry, I'll ask the question clearly, so we
7 can get a clear answer to a clear question.
8 MS. SALBACH: Okay.
9 MR. BURSEY: What do you expect -- what are you trying to
10 get the customers in the monthly balancing group to do
11 when you move them to daily balancing?
12 **Proceeding Time: 10:47 a.m. T22**
13 MS. SALBACH: What do we expect? Well, we expect what
14 we expect them to do today, which is manage and bring
15 on sufficient supply to meet demand on a daily basis.
16 MR. BURSEY: Right. And to do that, they would tend
17 supply slightly more than their 100 percent
18 requirement.
19 MS. SALBACH: They may.
20 MR. BURSEY: But isn't that the behaviour you see with
21 the current groups that's daily balanced? They tend
22 to pack more in the system?
23 MS. SALBACH: Yes, and we see, as I showed on the slide,
24 that some marketers managing daily balance groups,
25 yes, they do maintain a pack on our system, but they
26 do so within reasonable levels, and when I say

1 reasonable, I mean two to three-day average
2 consumption. No greater than two to three-day average
3 consumption of pack on our system.
4 MR. BURSEY: So you'd expect that the ones that move
5 from monthly balancing to daily balancing would
6 probably behave in a similar fashion.
7 MS. SALBACH: We would expect them to, yes.
8 MR. BURSEY: Okay, those are the answers to the
9 questions, Mr. Bystrom.
10 So to the extent that you now have
11 everybody on daily balancing, you're going to have
12 more inventory on the system. Is that a reasonable
13 expectation?
14 MS. SALBACH: So with everybody moving to daily
15 balancing, we would continue to manage and request the
16 two to three-day pack on our system for all shipper
17 agents. So we feel the inventory levels can be
18 managed based on this request.
19 MR. BURSEY: Could you just put up the slide which
20 showed a comparison of the daily versus monthly?
21 So if I understood your explanation
22 attached to this slide, you showed that the daily
23 balance groups tend to have slightly more pack on the
24 system to meet their daily balancing requirements than
25 the monthly shippers. Is that correct?
26 MS. SALBACH: So what we see today is for marketers that

1 hold daily and monthly balance groups where there is
2 an over-supply in the daily, there's typically a
3 corresponding under-supply in the monthly. What we've
4 seen today is marketers will delivery zero to their
5 monthly group and over-supply the daily, and my job is
6 I look on a net basis, what is the burn consumption in
7 both the daily and the monthly and where is their
8 supply at to meet that aggregate demand. Right?
9 MR. BURSEY: Right. So if we take away the monthly
10 balancing option, you will no longer be able to do
11 that inter-group balancing, if I can --
12 MS. SALBACH: I won’t need to look at them on a net
13 basis because the monthly will go away.
14 MR. BURSEY: You'd expect the graph to look like the one
15 on the left?
16 MS. SALBACH: No, because the -- so, this looks at them
17 in isolation, and as I say, some of these groups are
18 deliberate -- that there's a deliberate over-supply
19 only because there is no supply on the monthly
20 corresponding or nominal. It in no way -- so net
21 between the two groups, you know, they’re meeting
22 their demand. This is just nominating practices.
23 **Proceeding Time: 10:51 a.m. T23**
24 MR. BURSEY: But you won't -- if you no longer have the
25 option to monthly balance within a group, you're going
26 to have to make sure that you meet the daily balance

1 requirements for all members of your group. You won't
2 have the ability to --
3 MS. SALBACH: Correct, you won't have that ability
4 anymore.
5 MR. BURSEY: So you will tend to put more gas in the
6 system to avoid being short.
7 MS. SALBACH: But what we're seeing today is shipper
8 agents managing daily balance groups --
9 MR. BURSEY: Right.
10 MS. SALBACH: -- are not excessively over-supplying.
11 They are managing within the two to three-day pack.
12 MR. BURSEY: Right.
13 MS. SALBACH: And they're --
14 MR. BURSEY: I'm not suggesting that the new shippers in
15 that group will over -- excessively oversupply. My
16 point is, that they will have to slightly oversupply
17 for all of their customers. They can't be short on
18 any customer, because there will be no monthly
19 balancing option for any customer group?
20 MS. SALBACH: Right, there won't be any monthly. But if
21 they are short on the day, within the tariff they will
22 still be subject to daily balancing gas to balance
23 them.
24 MR. BURSEY: Right.
25 MS. SALBACH: If they don’t bring on enough direct
26 supply, as Kevin had mentioned, there is imbalance

1 return, tool to used to manage to use the additional
2 banked supply on the system in order to meet daily
3 demand?
4 MR. BURSEY: So that's a costly option versus making sure
5 you have enough supply in the first place, isn't it?
6 MS. SALBACH: Is what a costly option?
7 MR. BURSEY: You're introducing penalties for being
8 under-supplied --
9 MR. HILL: Mr. Bursey, I would argue that we are not
10 asking them to penalties. Those are just bring on
11 your -- match your daily supply.
12 MR. BURSEY: right.
13 MR. HILL: And so you're either buying the resource in
14 the open market to match what you think you're going
15 to do, or you're going to pay the sliding scale and
16 the cost. That's the marketer choice.
17 MR. BURSEY: Right, but would you not expect that the
18 customers would -- you've priced those --
19 MR. HILL: Well if I had a customer -- if I was a
20 customer, and I was getting a 25 cent charge every day
21 from my shipper agent, I'd be asking them why am I
22 paying you to manage my business?
23 MR. BURSEY: Right, so the reason you've set that charge
24 as it is, is you want to incent customers to make sure
25 that you're not drawing on the FEI system, you are
26 putting enough supply in the system?

1 MR. HILL: Yeah.
2 MR. BURSEY: I am struggling with why this is such a
3 difficult proposition to get you to agree with. But
4 moving from monthly to daily would tend to make you
5 bring -- you have to make sure you have enough gas
6 every single day. You can't be short on a few days,
7 like you can now, when you are under a monthly system.
8 MR. HODGINS: But you can, and that is what I mentioned
9 earlier. Is that we do provide access to their
10 inventory free. There is no cost, right? So when
11 they're delivering, they can forecast, if they think
12 their customers are using 10,000, right?
13 MR. BURSEY: Right.
14 MR. HODGINS: They deliver -- if they built up a bit of a
15 pack, they can put in a nomination to utilize part of
16 their inventory, and there is no cost for that. So
17 that goes into the overall equation of, did I manage
18 my business within the 10 or 20 percent? Is my supply
19 plus whatever I've asked for of access to my
20 inventory? If I use it or not, that goes into a
21 calculation. So, you can mitigate some of those
22 chances of being out of balance.
23 MR. BURSEY: But when you're under a monthly balancing
24 system, you have a lot more leeway, do you not?
25 MR. HODGINS: Yes.
26 MR. BURSEY: Right, so if you move to daily, you can draw

1 from pack, a two to three day pack --
2 MR. HODGINS: Yeah.
3 MR. BURSEY: -- but that's a lot tighter tolerance than a
4 monthly balancing?
5 MR. HODGINS: Right, and that's what we're trying to
6 achieve.
7 MR. BURSEY: Right, so --
8 MR. HODGINS: So we know that the supplies coming in is
9 going to match the customer demand.
10 MR. BURSEY: Right. So you have to -- going from monthly
11 to daily, it tightens up your ability to be flexible
12 and how you manage the --
13 MR. HODGINS: Whose flexibility?
14 MR. BURSEY: The shipper.
15 MR. HODGINS: Right.
16 MR. BURSEY: The shipper has to have more -- can't rely
17 on being drawing for seven days and then making it up
18 afterwards. Is --
19 MR. HODGINS: Correct, that's what we're going back to in
20 the tariff. They are supposed to use best estimates
21 to match their supply and demand.
22 MR. BURSEY: So you're getting -- the net result of that
23 would be more pack on the system because customers --
24 MR. HODGINS: No, we're managing -- we want to manage it
25 within two to three days, and we provide those tools
26 to allow that.

1 **Proceeding Time 10:55 a.m. T24**
2 MR. BURSEY: Right, and to the extent that you've got,
3 when you're going to -- the daily tolerance of 10
4 percent instead of 20 percent, that will provide
5 greater incentive for customers to make sure that they
6 are not short -- they have less flexibility on a daily
7 basis as well.
8 MR. TOKY: I think it's -- you know, what we are
9 discussing here is not a question of the flexibility
10 of the shipper agents or not. What we are trying to
11 say is that a shipper agent should be managing their
12 supply and their demand on a daily basis, so they
13 should be matching their supply with the demand that
14 they think is going to happen.
15 So, what Stephanie has shown us today and
16 this morning, you know, there are reasons why we
17 believe monthly balancing should not exist in our
18 balancing provision rules, under the transportation
19 services appeal.
20 So it's not a question about the
21 flexibility that shipper agent has under the monthly
22 balancing or not. What we have shown is there are
23 reasons, a variety of reasons, to move exclusively to
24 the daily balancing, and not the monthly balancing.
25 Right? So I just wanted to make sure that we are not
26 talking about only the flexibility part here. We're

1 making some good reasons here why we should be moving
2 over to daily balancing as a whole.
3 MR. BURSEY: And just to put your mind at ease, Mr. Toky,
4 the customer group that I represent is daily balanced,
5 and supports the idea of moving from monthly to daily.
6 I'm just trying to explore the consequence on the
7 system of what that means. If there is fewer shippers
8 that can monthly balance, every transportation
9 customer is going to have to manage their supply
10 within a lot tighter tolerance.
11 MR. TAYLOR: Yeah, and I think the slide will actually
12 help that we brought up here. This is what was
13 covered earlier about the days of pack system-wide.
14 And I think what the expectation is, and the goal, is
15 for the volatility and the range of the slide to
16 tighten.
17 MR. BURSEY: Right.
18 MR. TAYLOR: To get closer to the two to three. So
19 there's no -- you know, the question of, in aggregate,
20 do we expect for there to be more oversupply? I don't
21 think that's quite the essence of what Fortis is
22 trying to accomplish here. I think it's really
23 decreasing the volatility of the days of pack, and
24 having some more consistency across the year, to keep
25 it to that two to three days that they are hoping for.
26 MR. BURSEY: Right. So there would be -- you're trying

1 to take out the -- you tighten up that curve. But the
2 way that that would occur is, shippers that are trying
3 to manage on a daily basis that formerly are on a
4 monthly basis, have to manage their supply within a
5 much tighter time frame. Is that correct?
6 MR. TAYLOR: Yes.
7 MR. BURSEY: Okay. And that would mean, when you're
8 trying to assess between paying penalties or
9 overcontracting slightly, you would tend to favour
10 overcontracting slightly. So you've got a bit of pack
11 in the system. Is that correct?
12 MR. TAYLOR: Yeah, again --
13 MR. BURSEY: I think -- right?
14 MR. TAYLOR: I think that was agreed to, that there would
15 be a slight increase for those particular customers
16 because of the movement from monthly to daily. I
17 think the magnitude of that is questionable, and the
18 ultimate impact on the system, on an aggregate level,
19 is questionable.
20 MR. BURSEY: To the extent that there are fewer
21 transportation customers drawing from the system, and
22 there's a tighter range on the pack, illustrated on
23 this graph, that makes it easier for Fortis to manage
24 its balance obligations and serve its core customers,
25 does it not?
26 MS. SALBACH: If shipper agents --

1 MR. BURSEY: Because if transportation customers are
2 looking after themselves better.
3 MS. SALBACH: If shipper -- yes. That the -- exactly.
4 And there's two different models at play here. We,
5 Fortis, contract for supply on behalf of our core
6 customers.
7 MR. BURSEY: Mm-hmm.
8 MS. SALBACH: And transportation marketers are
9 responsible for the supply needs of their customers.
10 So, we expect these two models to be, you know,
11 working well and as intended.
12 MR. BURSEY: So that will provide a benefit to the core
13 customers?
14 MS. SALBACH: As I had indicated, yes. If shipper agents
15 manage their demand more tightly, then this may result
16 in less use of midstream resources to balance them on
17 their behalf.
18 MR. BURSEY: Thank you. Those are all my questions. I
19 think Mr. Langley might have a few more
20 clarifications.
21 MR. LANGLEY: Okay, so it's Jim Langley again with the
22 Industrial Customer Group. And I have questions that
23 really relate, I think, predominantly to a response to
24 BCUC IR No. 1, page 236, which is a graph that shows
25 the ten days of the greatest absolute difference
26 between aggregate and actual daily supply, and

1 aggregate actual daily demand.
2 **Proceeding Time: 11:01 a.m. T25**
3 And another graph that I referred to earlier that a
4 modification of which was presented earlier today, but
5 this is table 10-8 of the 2016 rate design
6 application, which Fortis seems to be pointing to as
7 evidence that the tolerances for daily balancing need
8 to be tightened.
9 And I think, as David has pointed out,
10 generally my group is a daily balanced group and so we
11 are not against the elimination of monthly balancing.
12 As an aside, I believe that Fortis has the tools to
13 manage a monthly group but evidence has shown that
14 they, for whatever reason, aren't doing that, and
15 therefore a move to daily balancing is in our favour.
16 Because I don't want other marketers gaming the system
17 at a cost to either the core market or my customers.
18 But to get to the idea that Fortis believes
19 the tolerances for daily balancing need to be
20 tightened, obviously I dispute that. I think, in fact
21 -- well, they may not necessarily be loosened, maybe
22 the charges associated with balancing should be looked
23 at based on the fact that they have been in place
24 since the early '90s and we are 25 years into things.
25 As I pointed out earlier, the balancing
26 charges in the winter time are far greater than 20

1 percent, or $1.10 and in the summertime are 30 cents
2 and I just, based on the evidence that Black & Veatch
3 has produced and certainly my own experience in 25
4 years in the industry, I don't think that that $1.10
5 is justifiable on a go-forward basis.
6 Black & Veatch, in their study cites that a
7 5 percent tolerance is a median in their words. But
8 I'm curious, did Black & Veatch in their study look at
9 why the tolerance was established at 20 percent for
10 the Fortis service area? Is that even considered?
11 Did you look at why it was there? Why it made sense
12 at the time? Why it doesn't make sense now?
13 MR. BYSTROM: Just before answer that question, I just
14 wanted to note, just from a procedural point of view,
15 Jim, like question and answer period is not the time
16 for evidence and argument. So, I mean there is no
17 evidence on the record to support what your general
18 submissions are there. I just wanted to note it.
19 MR. LANGLEY: Okey-dokey. And again, I thought this was
20 a more informal process where we could back and forth
21 with --
22 MR. BYSTROM: It's just from a procedural point of view.
23 We haven't had a chance to ask questions, we haven't
24 seen -- and you're making general suppositions about
25 like what's out there in the industry and it's fine,
26 let's just proceed, I just wanted to note that.

1 MR. LANGLEY: Okay, fair enough. Did Black & Veatch look
2 at the 20 percent window and consider its
3 justification?
4 MR. AMEN: Well, the 20 percent level had been in place,
5 as you mentioned, for a long time, and we got a
6 historical perspective, but we weren't specifically
7 trying to justify what happened twenty years ago.
8 Nor did we try and find out why various utilities have
9 a 5 percent tolerance. We were doing a benchmarking
10 study on these various levels, but we weren't trying
11 to look behind to look at the regulatory history or
12 the reasons why a particular level had been set.
13 MR. LANGLEY: But in the analysis of the utilities that
14 you looked at, you cited that they seemed to vary
15 between -- was zero and 10 or zero and 20 percent?
16 That type of range with a median of 5 percent?
17 MR. AMEN: There were a few that were even in excess of
18 10 percent.
19 MR. LANGLEY: Okay, so we'll leave it at an excess of 10.
20 But -- okay.
21 MR. AMEN: We didn't do a statistical type of sampling.
22 This was more trying to, as I said earlier, look at
23 characteristics of the utilities that would have both,
24 say, transmission and distribution infrastructure
25 located near market hubs of a pretty good size and
26 geographic variability.

Proceeding Time: 11:06 a.m. T26

MR. LANGLEY: Right. And this is a question that I asked, I think a year ago when we had the first round of these things, but is it fair to say that the utilities with the tighter tolerances also typically have access to market area storage that allows them to balance to these type of tolerances? Is that fair?

MR. AMEN: I think I could say that it helps to facilitate balancing when you do have market area storage at your availability.

MR. LANGLEY: And maybe I should ask this question of Fortis then. Is it also true that in the 25 years since the 20 percent balance window was established, that there has been no change to the access to market area storage in Fortis's service area?

MR. HILL: So physically, Jim, I think the storage is generally the same. There is Mist storage now that wasn't there. JPS was the -- so that’s an incremental storage in the region. But what --

MR. LANGLEY: But that's not market area storage. We don't --

MR. HILL: Mist is market area storage. It's located in Oregon.

MR. LANGLEY: Well, on system market area storage so that we have an ability, if we don't take the gas to just go to the utility and say, "You know what? Just

1 dump that into the storage thing, and I'll pay my
2 storage fee."
3 MR. HILL: So Jim, I guess what our point is -- related
4 to, the commercial marketplace has changed, and what
5 is driving the change? There's access to five
6 commercial windows to secure your gas supply
7 requirements. That's different than 20 years ago.
8 MR. LANGLEY: Right.
9 MR. HILL: So it's the marketer or shipper agent's
10 responsibility to, as the day unfolds, to match your
11 supply and demand on a daily basis, and they have five
12 chances or windows to commercially go out and do that.
13 MR. LANGLEY: And when is the window that one has a
14 chance to --
15 MR. HILL: That's three o'clock or four o'clock the day
16 of.
17 MR. LANGLEY: The day of, which we are now only about --
18 since the day starts at 7:00 in the morning, we're
19 only about -- what? Twenty-five percent, thirty
20 percent into the day?
21 MR. HILL: Yes.
22 MR. LANGLEY: So by day's end, whatever our burn is that
23 day, there's no ability to dump either the excess or
24 withdraw the short on that day. That hasn't changed.
25 Other than the nomination cycle, we're still where we
26 were 25 years ago.

1 MR. HILL: Yeah. But basically by three or four -- like
2 earlier in the morning, you're going to actually know
3 what the weather forecast is or isn't, and what your
4 commercial needs are of your customers. Because
5 that's what we're doing.
6 MR. LANGLEY: Sure. And do you know halfway through the
7 day how your end of day storage is going -- or end of
8 day demand is going to work?
9 MR. HILL: Yeah, pretty much. We've gotten a lot
10 tighter, because we're having to manage on the
11 upstream pipelines to Westcoast within a reasonable
12 tolerance.
13 MR. LANGLEY: Okay.
14 MR. HILL: So we're held to a much more tighter
15 tolerance today than ever before, and that has
16 operational benefits for the overall system of Fortis,
17 and/or Westcoast, which the shipper -- if Westcoast is
18 operating in an efficient marketplace, that has
19 benefits on the price of gas to all customers. Right?
20 MR. LANGLEY: Sure. But I would argue that with the
21 exception of the more -- of the increased number of
22 cycles to nominate gas supply, which in fact end 30
23 percent into the day, and for many process type of
24 operations, they don't know if they're going to have
25 an upset. Ideally you'd have a cycle at the end of
26 the day which said, "Okay, it turned out I was 20

1 percent over, I will renominate that back into my
2 storage account," or something. That doesn't exist,
3 correct?
4 MR. HILL: That doesn't exist. But that's why we have
5 the imbalance return and the zero tolerance from zero
6 to ten percent.
7 MR. LANGLEY: Right. Okay. Taking you to this Table
8 10-8 which is this -- of the rate design application,
9 your example of the many shippers that are above and
10 below the line. I just wanted to get a feel to make
11 sure I'm understanding what this data represents. And
12 on the first line you have "shipper agent N whose
13 annual volume in excess", which if I read the -- well,
14 "the annual volume in excess as defined in the
15 application there's the negative imbalance quantity in
16 excess of the threshold during 2014 and 2015 divided
17 by two."
18 **Proceeding Time 11:10 a.m. T27**
19 So, represents the annual volume this guy
20 was out of balance beyond the 10 percent window that
21 you guys have now established.
22 For this shipper agent, this group, that
23 volume was 2,000 GJs over the year. And the annual
24 throughput, as I understand it from Fortis's publicly
25 available records, is 204 PJs, or 204 million GJs.
26 So, shipper agent N, despite being out of

1 tolerance 287 days, the worst of the people in this
2 list, represents -- I think I've calculated it to 1 in
3 200,000 or 0.0005 percent of your load. Is that
4 accurate? Assuming that my numbers are correct, that
5 this is a very small variance within Fortis's overall
6 annual demand, and you're measuring this by annual
7 demand, right? Correct? Small?
8 MR. TAYLOR: Yeah, and that's why if you see on a table
9 we added the average demand that we talked about
10 earlier, because it gives an indication of, you know,
11 generally the size of each of these shipper agents.
12 MR. LANGLEY: Okay. Yeah.
13 MR. TAYLOR: So, yeah. I think the conclusion is that
14 this is a small shipper agent with eight -- an average
15 of eight GJs a day, and their annual volume in excess
16 is relatively small, as you point out as well.
17 MR. LANGLEY: Okay, fair enough. And then to carry on
18 with my analysis, then, I've looked at all of the guys
19 that represent your above the 10 percent line, to look
20 at the magnitude of both in aggregate and, you know,
21 by marketer. And what I calculate is that everybody
22 that's over the 10 percent line in aggregate works out
23 to about 1.5 percent of your total load. So that the
24 problem customers represent about 1.5 percent of your
25 total load. And that's just math. It doesn't mean
26 anything, I'm not trying to draw any conclusions from

that.

But I would point out that in my days at the utility, we used to have a rule of thumb that if the core market forecast for temperature was out by one degree, you could get a typical variation of load of 30,000 GJs per day. Is that still accurate? So that if you forecast the load to be 8 degrees on a particular day, and it turns out to be 9, typically your load's going to go up by 30,000 GJs that day.

MR. HILL: Yeah, but that is still --

MR. LANGLEY: Is that --

MR. HILL: -- a rule of thumb, but -- but, I'll qualify that, at the end of the day the resources that the core has are paid by, and are being executed to manage to that swing.

MR. LANGLEY: Yeah. I agree. Okay, yeah, no problem.

MR. HILL: Right? So --

MR. LANGLEY: But again, materiality here. I mean, are we using too big a gun to kill a mosquito or something like that.

MR. TAYLOR: Well, I think you might be conflating two different things in that analysis. This is annual volumes in excess.

MR. LANGLEY: Yes?

MR. TAYLOR: So that's over the entire year.

MR. LANGLEY: Yes.

1 MR. TAYLOR: Of under delivery. It -- imbalance that
2 Fortis has to balance is daily, so while, you know, in
3 total over the year, you've quoted the one and a half
4 percent, that doesn't represent the ups and downs that
5 occur every day that they have to balance to.
6 MR. LANGLEY: Right, but then the -- if you want to take
7 the -- well, okay, the volume in excess per day, then,
8 we're talking about 1895, as an example, for shipper
9 E, which on a regular day is going to be 500,000 to a
10 million GJs. I mean, I don't know what the -- I could
11 do the math on that too, but it's still a relatively
12 small number.
13 MR. AMEN: It's just a average over the year though,
14 right?
15 MR. LANGLEY: Yeah, okay. But -- okay. Understood.
16 MR. TAYLOR: I think the point is, you have to be careful
17 when you talk about averages in a situation, because
18 they're balancing on a daily basis. So it's -- the
19 annual average doesn't represent the amount of effort
20 or costs or resources utilized every single day across
21 the 365 days.
22 MR. LANGLEY: Okay, fair enough. Again, though, if I add
23 this up, and -- because what I want to go -- where I
24 want to go with this is that I've identified that
25 there are three shipper agents -- of the 1.5 percent
26 of the problem, as I've calculated it here, one agent,

one shipper agent represents one-third of the problem.

Proceeding Time: 11:14 a.m. T28

Of the 1.5 percent, they represent .4. If you add up two more shipper agents, you get 87 percent of the problem contained with the three shipper agents. And those are shipper agents C, D, and E.

MR. TAYLOR: Again, these are averages, and I don't think that this table is utilized to identify the magnitude of the challenge, but rather to indicate that some shipper agents on average are better at keeping within a 10 percent threshold than others, hence where we put the red line on the table. So, it wasn't a representation of the magnitude of the daily imbalance concern that Fortis is trying to alleviate with their proposal, but rather an indication of how some shippers are seemingly are able to manage within 10 percent compared to others.

MR. LANGLEY: Fair enough. But whatever yard stick you're using, it certainly suggests there are three shipper agents that are much worse than everybody else?

MR. TAYLOR: I don't think that analysis has been presented as part of this proposal.

MR. LANGLEY: Do you want to do the math? I don't understand why the numbers that are here -- I mean, you've got one -- shipper agent D has volume in excess

1 of minus 1788 on an annual demand -- or a daily demand
2 of 1446. That certainly is much bigger on an
3 aggregate basis than 6 on 8, right?
4 Because what I want Fortis to get to, is a
5 comment they made earlier about the idea that it's not
6 fair in their mind to just put a fee on total
7 balancing charges. And yet I would argue that is
8 exactly what they're doing by tightening up this 10
9 percent tolerance, because three shipper agents either
10 are gaming, are incompetent, or don't have the kind of
11 customer group that can control their load. And I
12 have never had Fortis come to me and say, if I am part
13 of those three guys, what can we do to make you
14 better? Or what is the problem here?
15 So, Fortis appears to want to just apply an
16 overall solution to a problem that is in fact very
17 specific.
18 MS. SALBACH: Yeah, so we discussed per GJ fee, you know,
19 to be applied across all shipper agents to take into
20 account the balancing that FEI was providing.
21 However, we didn't think that this approach was
22 reasonable, because some shipper agents today, below
23 the red line, as demonstrated below the red line, are
24 managing well today, and bearing the cost to do so.
25 So, by charging them an additional fee based on
26 throughput, this would be onerous.

1 MR. LANGLEY: Right.
2 MS. SALBACH: And unfair.
3 MR. LANGLEY: Okay.
4 MS. SALBACH: We believe.
5 MR. LANGLEY: And so why would this tightening of the
6 tolerances for all customers be considered fair when
7 it appears that only three customers are causing the
8 majority of your problem?
9 MS. SALBACH: Well, we want to level the playing field,
10 to put everybody on equal footing, under the same set
11 of rules, to achieve fairness across all customers.
12 MR. LANGLEY: And this is your opinion on what is fair?
13 MS. SALBACH: This is our proposal, yes.
14 MR. LANGLEY: Okay, all right. So, just to finish off on
15 this particular topic then, did Fortis look at the
16 worst offenders in this group, and try and determine
17 whether or not the imbalances that you guys are trying
18 to prevent are the result of gaming, or the result of
19 customer operations that -- where customers have
20 limited control over their ability to balance on the
21 system? Did you differentiate those in any way?
22 MS. SALBACH: Yeah, there is multiple reasons that
23 marketers behave in the way that they do today. We
24 haven't been able to specifically pinpoint or
25 ascertain gaming, nor have we tried to pinpoint this
26 in this application.

1 **Proceeding Time 11:19 a.m. T29**
2 We expect that it's occurring, but we can't
3 say with certainty, but certainly levelling the
4 playing field and putting everybody on the same set of
5 rules will potentially address this concern. As you
6 say, the gaming.
7 MR. LANGLEY: I would argue that it's also going to
8 penalize your customers, who, due to the nature of the
9 way they use gas, are going to be forced to pay
10 incremental balancing charges, maybe because -- the
11 rules have been changed because marketers are gaming
12 the system; and that if you went after gaming of the
13 customers or gaming by the shipper agents, you
14 wouldn't have to charge the customers incremental
15 balancing charges.
16 MS. SALBACH: Can you rephrase that with a more clear
17 question, just so I understand?
18 MR. LANGLEY: Well, I'm just putting forth --
19 MS. SALBACH: Or is that a statement?
20 MR. LANGLEY: -- some perspective. Yeah, that that --
21 and frank -- maybe the question would be, if customer
22 service is your goal here, that maybe you'd want to
23 investigate that further rather than just put in a
24 blanket, this is the solution we've come up with.
25 Okay, that's --
26 MR. BYSTROM: I think the witnesses would like a chance

1 to respond to you.
2 MR. LANGLEY: Oh sure, yeah.
3 MR. BYSTROM: They're just going to confer and get back
4 to you on that.
5 MR. LANGLEY: Right now or later?
6 MR. BYSTROM: Yeah, right now.
7 MR. LANGLEY: Okay.
8 MR. HILL: Jim, just to answer your question there,
9 basically we do believe the approach that we've put is
10 reasonable given a couple of things. One, we have
11 existing marketers, shipper agents operating within
12 that tolerance. So they're bearing the costs
13 somewhere to manage, right?
14 MR. LANGLEY: Mm-hmm.
15 MR. HILL: Commercially they're buying the gas. They've
16 spent the time and effort on resources to forecast
17 loads and deal with their customers on a timely basis.
18 So they bear the costs already. So we didn't want to
19 charge a fee, back to Stephanie's, to everybody.
20 MR. LANGLEY: Yeah.
21 MR. HILL: But we also have the tiered approach. From
22 zero to ten there are no costs.
23 MR. LANGLEY: Yeah. Yeah. But again, Shawn, Mr. Hill, I
24 think that it's fair to say, you know, that you know
25 your customer base, you know that there are certain
26 kinds of customers out there that are typically dual

fuel customers, that are large users of natural gas, and when they do fail of their primary fuel they swing wildly on their natural gas. Now, sure, half the time that impacts the system. Half the time it probably helps your system. But somehow it appears Fortis just wants to say, well, we're looking at the -- only in isolation and only on the aggregate swings that you have.

Now, I agree that Fortis should try and prevent gaming, but I am not yet convinced that the swings that customers have due to the nature of their operations negatively impacts the core market to the extent that Fortis apparently believes that it does.

MR. HILL: Well, it does negatively impact because there's no cost recovery for the swing.

MR. LANGLEY: Well, if it's greater than 20 percent, Shawn, there's $1.10.

MR. HILL: Yeah, but from zero to 20 there's nothing. So you're saying that --

MR. LANGLEY: Is it a problem that -- zero to 20 is a problem.

MR. HILL: It's not necessarily a physical problem. It's about cost allocation and recoveries. Right?

MR. LANGLEY: Yeah.

MR. HILL: So there's evidence on the record that it's -- I think, one IR that's around $1.6 million of variable

1 cost recoveries that would go back into the midstream
2 if the behaviour stays the same -- goes to this 10
3 percent, right?
4 MR. LANGLEY: Okay.
5 MR. HILL: So it's not about -- obviously physically
6 we've been able to manage for 20 years. Obviously,
7 right?
8 MR. LANGLEY: Yeah.
9 MR. HILL: But it's about cost allocation and cost
10 recovery.
11 MR. LANGLEY: Okay.
12 MR. HILL: And is that fair? Because at the end of the
13 day right now, the balancing provisions for the
14 transport customers, they pay zero to 20 percent for
15 balancing. And who's balancing all the assets with
16 that? That's the customers that are paying the
17 underlying midstream resources.
18 MR. LANGLEY: Sorry, Shawn, I need to back up. You said
19 what, 25 percent or 25 cents? What was --
20 MR. HILL: It was zero to 20 percent of the -- the
21 transport customers are paying zero for that service,
22 if you will, today.
23 MR. LANGLEY: Right. But again --
24 MR. HILL: So how is that commercially fair to the sales
25 customers?
26 MR. LANGLEY: Arguably because when they are over 20

1 percent they pay way above what the balancing charges
2 should be, and therefore it balances itself out.
3 MR. HILL: But the benefits aren't -- there isn't a lot
4 of incremental charges over the 20 percent, as the
5 evidence on the record shows.
6 MR. LANGLEY: Okay.
7 MR. TOKY: Just to basically add something here, the
8 rules that we are looking at and the proposals that we
9 have in the application is not to necessarily alone
10 look at the cost causation, but also to incent the
11 right behaviour from the customers.
12 **Proceeding Time 11:25 a.m. T30**
13 MR. LANGLEY: Mm-hmm.
14 MR. TOKY: So what we have in our proposals is a tiered
15 balancing charges that sends the appropriate price
16 signals that, as a shipper agent or a transportaiotn
17 customer, you have to bring on the supply to match
18 your demand on a daily basis. So it's -- other than
19 that, there is other considerations that we have, what
20 Shawn is talking about is the cost consideration and
21 the cost causation and everything. But that's not in
22 isolation that we have done.
23 We have considered all those factors. We
24 have considered all the rate design principles that we
25 have used in the application to come with the proposal
26 that we have in the Section 10 of the application. So

1 that's what I wanted to add there.
2 MR. LANGLEY: Okay. And I guess in answer to that, I
3 think I do support what Mr. Bursey had said earlier,
4 that by tying that tolerance to 10 percent
5 directionally, now that we know that, you know, we
6 can't -- we don't have up to 20 percent for free, we
7 are going to tend to order more gas on the day to
8 avoid that 10 percent charge, particularly if the
9 daily gas volatility is less than the 25 cent charge
10 that you're going to have. So our inventories are
11 going to go up, and we're going to have more
12 discussion with you, Stephanie, on how to get the gas
13 back off the system again. Because we are
14 consistently motivated to over order onto the system,
15 as daily demand -- daily balance customers.
16 So do you agree that that may be a natural
17 result?
18 MS. SALBACH: Well, so, I think generally we already
19 talked about that with Mr. Bursey in the sense that,
20 you know, we have shipper agents managing within the
21 10 percent today, and managing overall inventory
22 levels within the two to three days.
23 MR. LANGLEY: Yeah.
24 MS. SALBACH: So we know it's being done today.
25 MR. LANGLEY: Yeah.
26 MS. SALBACH: And we expect the same moving forward, if

these proposals are accepted.

MR. LANGLEY: Right.

MS. SALBACH: And if you or any of the other shipper agents deliver excess gas onto the system, they're -- you know, yes, you'll be in contact with me, or I'll be in contact with you, to manage -- to incent you to manage that.

MR. LANGLEY: Yeah.

MS. SALBACH: To ask you to manage better.

MR. LANGLEY: Yeah, yeah.

MS. SALBACH: And of course there's imbalance return.

MR. LANGLEY: Absolutely.

MS. SALBACH: To draw from that banked inventory, if that's what your tendency will be, going forward.

MR. LANGLEY: Right. Right. Okay.

I guess the one thing -- I'll just finish this one with -- or this particular line of discussion. With your comment that there are agents that are able to manage within the 10 percent tolerance, would you agree that there are certain customer groups, due to the nature of their load, facilitate being able to nominate within a 10 percent window much, much easier than with other customer groups? Correct?

MS. SALBACH: No. My answer is no. We looked at those customer agents -- those customers, within -- that are

1 managed by those shipper agents, that are under the
2 red line, and they are varying types of rate
3 schedules. So they have different load profiles.
4 Some volatile, some steady. So they have a mix of
5 customers that they manage, and are doing so within
6 the 10 percent tolerance.
7 MR. LANGLEY: Can you comment how many kraft pulp mills
8 are below that line versus how many are above that
9 line?
10 MS. SALBACH: I don't have that information at hand.
11 MR. LANGLEY: Okay. It might be interesting for you guys
12 to look at that, because I think you'd probably find a
13 correlation between who's above that and who's below
14 that. And that's not because they're gaming the
15 system, it's the nature of their operations.
16 MR. HILL: Yeah, but Jim, don't forget that the tariff
17 allows the customers to pool.
18 MR. LANGLEY: Yes.
19 MR. HILL: So it's not just about the specific pulp mill,
20 or load that you're talking about. It's an aggregate.
21 So when -- so we have a lot of customers that
22 marketers pool their customers together. That allows
23 them overall to offset -- one has an upset, one has an
24 underset, and in total, what's the total? Right?
25 MR. LANGLEY: Right.
26 MR. HILL: So your pulp mill example is imbedded in some

1 customer groups in total that the marketer is managing
2 to in total. So the pooling concept --
3 **Proceeding Time: 11:29 a.m. T31**
4 MR. LANGLEY: That's what I'm saying, Shawn, it would
5 just be interesting to see, looking at that line, just
6 find out where those kraft mills are, and is there a
7 greater preponderance of kraft mills above the line,
8 versus below the line. Because I would suggest that
9 that is indicative of the fact that pulp mills are
10 tougher to forecast then a bakery.
11 MR. HILL: But at the end of the day, the marketer is
12 managing in a pool.
13 MR. LANGLEY: That's irrelevant to the customer, Shawn,
14 right? Some guys have volatile loads, some don't.
15 MR. HILL: Yeah, but Jim, just based on experience,
16 basically I've had experience where if a mill has an
17 upset in the day, commercially what should he be
18 doing?
19 MR. LANGLEY: He should do whatever he can to balance
20 their load.
21 MR. HILL: He should be phoning his shipper agent, who is
22 in charge of managing his load, and making commercial
23 arrangements to find gas on a re-nom.
24 MR. LANGLEY: Absolutely.
25 MR. HILL: Absolutely.
26 MR. LANGLEY: But there are limited opportunities to do

1 that. As your own study shows.
2 MR. HILL: But Jim --
3 MR. LANGLEY: There is not an intra-day market, as quoted
4 by Black & Veatch --
5 MR. HILL: But that's a commercial decision that the
6 customer and the marketer have put that business in.
7 MR. LANGLEY: Well no, Shawn, we have to work within the
8 market that exists in --
9 MR. HILL: We're part of the market too.
10 THE CHAIRPERSON: You know what, we are not asking
11 questions and giving answers, it sounds like we are
12 arguing.
13 MR. LANGLEY: Okay. All right. Can I then ask -- sorry,
14 about a slide in BCUC IR No. 1, page 236, where the
15 Utilities Commission requested that Fortis identify
16 the 10 greatest days of difference between supply and
17 demand, I guess in 2015, or that's what Fortis chose
18 to supply, okay? If you can remember what it is.
19 I just want to point out that of the 10
20 days identified, fully four of them were days that
21 Fortis had customers under curtailment, so that the
22 risk of being short on that day was a higher of the
23 Sumas -- what is it, daily one and a half price, or
24 $20 per GJ, going up to the demand charges on the
25 order of $125 per GJ if you got caught for three days,
26 something like that? There are stiff penalties for

1 being short on those days, correct?
2 MS. SALBACH: Yeah, so none of -- our application doesn't
3 reflect a change in the UOR charge that you are
4 referencing.
5 MR. LANGLEY: No, no, yeah. I know, I'm just trying to
6 show that of the 10 days that you've cited, a good
7 proportion of them, in my opinion at least, driven by
8 direction from the utility that it was a curtailment
9 day, and you guys said "Matt," you know, "you cannot
10 draft our system at the risk of $20 and higher
11 charges." So what would you expect the marketing
12 community to do? We over delivered, fair?
13 MS. SALBACH: But by how much you over deliver, you know?
14 MR. LANGLEY: Correct.
15 MS. SALBACH: We would expect, you know, we would expect
16 you to, hopefully on behalf of your customers, deliver
17 a sufficient amount so your customers don't incur UOR
18 charges.
19 MR. LANGLEY: Yes.
20 MS. SALBACH: But we don't, we don't expect that you will
21 over deliver excessively, because you will bear the
22 costs --
23 MR. LANGLEY: Sure, and we do that.
24 MS. SALBACH: -- to buy the gas that day to do so.
25 MR. LANGLEY: Yeah, and we make that decision every day
26 based on what the day price is and what the risks of

1 being wrong are on the short side. With the net
2 result that of the 10 days that you guys cited as the
3 biggest swings, four of those were days that you --
4 that Fortis called curtailment. And so I'm just
5 pointing out that you guys have a big influence on the
6 days that we swing the most, and -- agreed?
7 **Proceeding Time 11:33 a.m. T32**
8 MR. TAYLOR: I think that represents what, one percent of
9 the year. So I don't know if I would characterize
10 that --
11 MR. LANGLEY: But it represents 40 percent of the worst
12 ten days.
13 MR. TAYLOR: Of the top ten, right.
14 MR. LANGLEY: Yeah.
15 MR. TAYLOR: So you take the top ten days, and you're
16 saying that four of the top ten days, which is 4 of
17 the 365 days -- so I don't know if I'd characterize
18 that as, you know, Fortis having a large influence
19 throughout the year. Of course they have a large
20 influence on those days. But I'm not sure that the
21 panel would agree with that characterization.
22 MR. LANGLEY: Okay. But at least on the ten days that
23 the BCUC asked about, four of those were days of
24 curtailment. Correct? Agreed?
25 MR. TAYLOR: Yes.
26 MR. LANGLEY: Okay, fair enough. And that the volumes

that were delivered, if you take the averages, amount to about 70,000 GJs a day for those four days. But that's just math. Agreed? If my math is correct, do you agree?

MR. HILL: Yeah, so, Jim, I guess -- the numbers are the numbers there. But at the end of the day we would ask, like, where are those costs flowing through? Because they're not flowing through to the utility. At the end of the day, the customer -- the shipper agent has bought too much gas, potentially at a high price market.

MR. LANGLEY: Mm-hmm.

MR. HILL: And where are those costs flowing through to? His customer, probably. So you'd have to ask yourself that, why you guys are buying so much gas on those curtailment dates.

MR. LANGLEY: Well, I can give you the answer to that, it's because we don't want to pay $20 to the utility.

MR. HILL: Yeah. Well, that's -- but that's the rules of the tariff. At the end of the day, the Sumas marketplace is a volatile place, and Ron can attest to that ultimately if you don't have penalties and charges in place, the lowest price penalty charge will be the one that's short gas.

MR. LANGLEY: Right. Okay, but --

MR. HILL: Right? So --

1 MR. LANGLEY: Perhaps in answer -- if, you know, swings
2 on your system are a problem, and four of the top ten
3 days were driven by curtailments on the system,
4 perhaps Fortis should be looking at their penalty
5 rates and saying, "Maybe we're providing too great a
6 disincentive, such that the market community across
7 the board packs the hell out of our system and causes
8 us problems." Perhaps?
9 MR. HILL: I don't believe there was any questions from
10 you guys in this proceeding on that matter.
11 MR. LANGLEY: Okay, well, I guess I'm pointing it out
12 now. Okay?
13 MR. HILL: Well, after two rounds of IRs and workshops
14 and things like that, we're just hearing about it now?
15 MR. LANGLEY: Yes.
16 MR. HILL: Yeah.
17 MR. TAYLOR: Can you -- was that a question? I think
18 there was a question there.
19 MR. LANGLEY: Well, I guess I just wanted to make sure
20 that Fortis saw the same factors. I mean, the BCUC
21 asked the question about, "Give us your worst ten
22 days." Presumably citing, well, you know, what is the
23 magnitude we're talking about here, you know. What's
24 the background?
25 And what I'm pointing out is, the
26 background for 40 percent of those days was Fortis.

1 MR. HILL: So, Jim, you're talking about a peak day, or
2 curtailment costs of reducing UOR charges.
3 MR. LANGLEY: Yeah.
4 MR. HILL: Our proposals aren't talking about changing
5 any of that. We're talking about changing tolerances
6 on a daily basis to which, we, Fortis, are managing
7 our system as a whole, to balance to our upstream
8 pipelines.
9 MR. LANGLEY: Okay.
10 MR. HILL: And it's a service on a yearly basis.
11 MR. LANGLEY: Yeah.
12 MR. HILL: Versus something that you're looking at on a
13 peak day analysis.
14 MR. LANGLEY: Right.
15 MR. HILL: The peak day analysis benefit that you are
16 implying here?
17 MR. LANGLEY: Yeah.
18 MR. HILL: We can't rely on the over deliveries of the
19 marketer on a peak day.
20 MR. LANGLEY: Yeah.
21 MR. HILL: So we can't contract or assume that we're
22 going to get resources from them.
23 MR. LANGLEY: Okay.
24 MR. HILL: So from a cost perspective, the midstream
25 isn't buying less resources in the open market because
26 we're assuming that we're going to get something from

1 the marketers there.
2 MR. LANGLEY: Okay.
3 MR. HILL: So I don't know --
4 MR. LANGLEY: Yeah.
5 MR. HILL: Our proposals are on a yearly basis, to manage
6 on a daily basis.
7 MR. LANGLEY: Yeah.
8 MR. HILL: You're talking about something that's on a
9 peak day analysis for --
10 MR. LANGLEY: Yeah.
11 MR. HILL: It has -- and they're kind of totally
12 unrelated.
13 **Proceeding Time: 11:38 a.m. T33**
14 MR. LANGLEY: Okay. You see them as unrelated, and I
15 appreciate that you kind of went down the path that I
16 wanted to go down. Because I do see them as related,
17 because it seems to me that Fortis is looking at this
18 balancing issue as strictly a cost to the core market,
19 and to the utility, as opposed to seeing the benefit
20 of the transportation imbalances, and when they help
21 you. And I would argue that this is precisely a
22 perfect example of when the transport customers are
23 helping you, because to the extent they are over
24 delivering to you, 70,000 GJs a day on the peak days
25 of the year, you guys are able to retain your storage
26 resources, and your peaking gas contracts. Because

1 despite the fact that you can say that you can't rely
2 on them on any given day, you have over 20 years of
3 data, which I am going to guess that a good
4 statistician could go through those 20 years and say
5 there is a 98 percent likelihood that these guys are
6 going to leave on this much gas during the day. And
7 if that doesn't influence how you order your gas, how
8 you husband your resources, I think that you should
9 look at how you are doing that.
10 Secondly, to the extent that on a -- these
11 cold periods typically happen, not just one day, but
12 two, three, four, five, how many days there are. So,
13 to the extent that we've packed the system on one day,
14 that is gas on your pipeline that you get to use to
15 serve load the next day, despite the fact that on many
16 of these days, the core market might be short on those
17 days that these guys are long, and you guys get to use
18 our gas to serve peak load. Is that wrong?
19 THE CHAIRPERSON: Mr. Langley, is there a question?
20 MR. LANGLEY: Is my statement wrong? Is there no benefit
21 to the core market of the transportation customers
22 leaving gas on the system during a peak day?
23 MR. HILL: No.
24 MR. LANGLEY: Okay. I guess that's the end of my
25 questions. Thanks.
26 MR. DIXON: Tom Dixon, Access Gas Services. A few

1 questions.
2 Can Fortis tell us when it was decided that
3 shipper agents were allowed to have two groups at one
4 delivery point on the system?
5 MS. SALBACH: I am unable to say when exactly that
6 decision was made. Since, as I referenced in my
7 slides, you know, daily and monthly balancing
8 provisions were approved very early on --
9 MR. DIXON: Was that the intent of the tariff as written?
10 To have the shipper agent be able to have two groups
11 on the system?
12 MS. SALBACH: Well, the tariffs allow for pooling. The
13 tariffs don't specify two groups, or three groups, or
14 four groups at a given location. I believe that that
15 is something that is evolved as a business practice
16 over time.
17 MR. DIXON: So if Fortis maintained it so that shipper
18 agents that have daily customers have a daily group,
19 would -- when we look at slide on page 22, if you
20 don't mind. So, all the shipper agents above the line
21 that have a daily and monthly group, are over
22 nominating their daily group, and under nominating the
23 monthly group. So, they're effectively a monthly
24 balanced customer. As an entire entity, would you
25 agree with that?
26 MS. SALBACH: Well, I'm not sure I would agree with that.

1 The customers that are pooled in a daily balanced
2 group adhere to different balancing provisions than do
3 monthly balanced customers.
4 MR. DIXON: But I can just over nominate my daily group,
5 and under nominate my monthly group, and you allow it
6 to transfer inventory at the end of the month,
7 correct?
8 MS. SALBACH: Those are the practices in place today,
9 that's what we've witnessed, yes.
10 **Proceeding Time 11:43 a.m. T34**
11 MR. DIXON: Was that the intent of the tariff at the
12 time? In the 90s, when this was introduced? I wasn't
13 around. So if --
14 MS. SALBACH: Yeah, I --
15 MR. DIXON: Don't know? So if we just enforce the -- if
16 you have a daily customer as a shipper agent, your
17 daily balanced, would not -- the bulk, if not all of
18 the daily and monthly customer groups that are sitting
19 there, be below that red line?
20 MS. SALBACH: Well, we would hope that if we -- if daily
21 balancing is imposed, or is approved, that yes, the
22 majority are going to operate as those are doing
23 today, under that red line. If that was your
24 question.
25 MR. DIXON: So if we just enforce daily balancing on
26 shipper agents that had a daily balance customer,

1 wouldn't that solve the bulk of this problem?
2 MS. SALBACH: Well, we -- sorry, yeah.
3 Well, we have, as you know, Rate 22s must
4 be daily balanced, today. And shipper agents have
5 pooled other customers under different rate schedules
6 that have monthly balancing provisions with that rate
7 22 customer, as in, likely, the case of all those --
8 some of those below the red line. And so effectively
9 all of them have adopted daily balancing provisions by
10 way of pooling with a mandated, or a must daily
11 balance kind of --
12 MR. DIXON: But all those shipper agents above -- all the
13 ones that have a D and an M, they have the choice to
14 over deliver to a monthly group, and they can short --
15 sorry. Over deliver to a daily group and short a
16 monthly group, correct? And then transfer inventory.
17 So I guess my question is, is Fortis
18 complicit in allowing the imbalances to get as big as
19 they've gotten, by allowing customers to have two
20 shipper groups at a single delivery point?
21 MR. BYSTROM: We're getting into the problem here of
22 multiple questions. So --
23 MR. DIXON: Sorry.
24 MR. BYSTROM: You asked one, and then you started another
25 one.
26 MR. DIXON: Yeah, yeah.

1 MR. BYSTROM: It's just very confusing for the witnesses.
2 So if you could just start one at a time, and I think
3 you'll get clearer answers.
4 MS. SALBACH: So, as I have indicated, we do look net
5 between the two groups. If a shipper agent has a
6 daily and a monthly and, as you say, if that shipper
7 agent under the latitude of the provisions that we
8 have today over delivers and under delivers, as I've
9 mentioned, we look at the overall inventory relative
10 to the aggregate demand on a net basis, and we request
11 that shipper agents manage within -- in aggregate,
12 within the two to three day pack draft level.
13 MR. DIXON: But if all of those customer groups, or all
14 of those shipper agents that have a D and an M beside
15 them, just had a D, would that -- would they not have
16 a greater incentive to push below the line, under the
17 current practice?
18 MS. SALBACH: I think yes. Yes.
19 MR. DIXON: So, you know, I guess -- why not just enforce
20 the spirit of the tariff that is in existence today?
21 MS. SALBACH: I think that our proposal is essentially --
22 you know, is reasonable in the sense that it's going
23 to remove potentially, if it's proved, the ability for
24 monthly groups to draft without penalty, or without an
25 applied tolerance.
26 So as you sort of stated earlier, when

1 exclusive daily balancing, if it were to be imposed,
2 you know, that ability to draft in monthly balancing
3 provisions would go away.
4 **Proceeding Time: 11:47 a.m. T35**
5 MR. DIXON: I understand that, but wouldn't this problem
6 that we're talking about, in terms of on paper, what
7 we're showing today, be far less if we just enforced
8 the rules, or the spirit of what was set in the 90s?
9 In that a shipper agent, that has a daily customer,
10 balances daily?
11 MS. SALBACH: Well, that is what we're moving forward
12 with today, or we are proposing today to balance on a
13 daily basis. And the dailies do that today. It's
14 just that the spirit of the tariff -- as you say, to
15 better incent the spirit of the tariff, we feel that
16 daily balancing exclusively is necessary at this time.
17 MR. DIXON: So then my next question would be, by
18 changing the balancing rules, are we not overshooting?
19 Are we not -- you know, I guess my point is, if a
20 daily balanced customer, or a shipper agent with a
21 daily balanced customer was in fact daily balanced,
22 which they're really not today, you know, we had a
23 customer, they balanced a customer for a period, and
24 we would just over deliver to that. And then we could
25 do whatever we wanted in our monthly group.
26 So, I guess my -- and I am not opposed to

1 moving to daily balancing, that's not what I'm saying.
2 I'm just pointing out that by moving to daily
3 balancing, you are going to already push most of these
4 marketers down below the line. Why are we stepping
5 further with penalties?
6 MR. HILL: Because there's no penal- -- so we would agree
7 that going to all daily is going to be one step,
8 right? And we all agree that that's industry
9 practice, and where Fortis is adhering to daily
10 balancing. And we've layered on another change to go
11 from 20 percent down to 10 before you bear penalties.
12 But there is no fee from zero to 10 percent.
13 MR. DIXON: Well, you've said that a couple times. So,
14 the fee in that zero to 10 percent range, is forcing
15 us to buy Sumas gas daily from Fortis, correct?
16 MR. HILL: Well, I don't know who you're buying your gas
17 from.
18 MR. DIXON: No, if I am short in that zero to 10, under
19 the new proposal, or under zero to 20 in the existing
20 proposal, I am forced to buy that gas on the day from
21 Fortis, correct?
22 MS. SALBACH: Well, you're not forced. If you've under-
23 delivered, then we will balance.
24 MR. DIXON: If I've under-delivered, and I'm within the
25 10 percent, I have to buy gas from Fortis, correct?
26 MS. SALBACH: If you under-deliver on a day, and you have

1 your inventories go to zero, so you have no inventory
2 on our system, and you under-deliver on that day, then
3 yes, you will incur balancing gas at the Sumas gas
4 daily price.
5 But getting back to your point earlier, the
6 incent -- the intent of the tariff, you know, is your
7 obligation to deliver, based on best estimates you
8 feel your group is going to consume on any given day.
9 MR. DIXON: But I just want to clarify, because Shawn
10 said this a couple times, from zero to 10 there are no
11 costs.
12 MR. HILL: There is no incremental charge. You either
13 buy the gas in the open market, commercially to match
14 your load --
15 MR. DIXON: But the price point, you've determined the
16 price of that gas, and at that price point, could it
17 not be a penalty? Like if I'm short at the interior,
18 is gas daily not a penalty?
19 MS. SALBACH: So, first of all, I think we're talking
20 today about (a) daily balancing, and (b) the
21 surcharge, and when that surcharge would kick in, and
22 we're proposing at the 10 percent tolerance band a
23 surcharge based on our cost-based analysis would kick
24 in.
25 So, the issue you're talking about is that
26 the daily balancing gas charge at the Sumas gas daily

price, if a shipper under delivers on a day. Changes to the daily balancing gas charge is not included in this proposal today.

MR. DIXON: I think my point is that between zero and 10, or zero 20 under the existing, in many cases, forcing us to buy gas daily, when we are short, can be a penalty.

MS. SALBACH: That's an opinion.

MR. TAYLOR: It's the cost of doing business given the tariff and the rules. I don’t think Fortis is intending to penalize anybody for balancing gas, I don’t want to speak out of turn here, though.

MS. SALBACH: No.

MR. DIXON: But that’s the reality, so that’s what actually happens. But I can go back to that.

So then when we talk about -- I have some questions about the imbalance return. So, right now, the only shippers that need to nominate imbalance return are daily shippers.

Proceeding Time 11:52 a.m. T36

MS. SALBACH: Correct.

MR. DIXON: And so what does Fortis expect to happen when 13 shippers are now requesting imbalance return? Is that going to decrease the amount of imbalance return available?

MS. SALBACH: Well, first of all, not all 13 shipper

1 agents necessarily do business at -- right now we
2 offer imbalance return at Lower Mainland and the
3 Interior region, and we offer 40,000 of imbalance
4 return, the ability to draft up to 40,000 on the day
5 at each of those locations. So, not all of the 13
6 shipper agents is doing business on our system today
7 participate in -- like we don't have 13 shipper agents
8 at the Lower Mainland, for example, today. In any
9 case.
10 So 40,000 will be available. And --
11 MR. DIXON: So if we're dividing that by ten, it means
12 that there would be five available per shipper agent,
13 versus currently there will be 10 plus available per
14 shipper agent?
15 MS. SALBACH: So --
16 MR. DIXON: Just -- I'm stating that it's going to be
17 harder for us to get back on balance return going
18 forward too, right?
19 MS. SALBACH: So if you have more people requesting
20 imbalance returns -- and depending on the request
21 volume by each shipper agent, it's -- you know, there
22 may be less available than there was before. It all
23 depends on what volmes marketers or shipper agents are
24 requesting, and what is available at that time.
25 MR. DIXON: Okay. I'll go to another topic. Has Black &
26 Veatch investigated whether or not balancing

1 tolerances are against a prescribed LDC amount or the
2 actual load that the customer is delivering? So are
3 we balancing -- in other jurisdicdtions, are we
4 balancing against a forecast, or are we balancing
5 against the actual end-of-day load that occurs?
6 And the reason I ask is, I asked this of
7 Elenchus in an IR, my first IR, and they responded
8 that balancing tolerances in their proposal -- or in
9 their market research, are based on actual
10 consumption. And I know for a fact that that's
11 incorrect. So I'm not sure if they're just ignorant
12 to it, or they're misleading the panel. I don't know.
13 But there was no effort to investigate
14 which. So, we operate in a number of jurisdictions.
15 And in jurisdictions where we have a zero tolerance,
16 typically the utility is telling us what to deliver.
17 And in jurisdictions where we have a 5 percent
18 tolerance, the utility is giving us a forecast of what
19 to deliver. And when we -- when we have that 5
20 percent, it's a plus or minus, and we are -- we're
21 required to balance to that. But when actual data
22 comes in and it's materially different, we don't pay
23 penalties or incur charges, it just hits that
24 imbalance account.
25 MR. BYSTROM: I hate to interrupt, but --
26 MR. DIXON: No, I know. So did we review whether or not

1 those -- that -- all that data that we have is against
2 a forecast or actual data?
3 MR. AMEN: We did not try and look behind the tolerance
4 level to determine whether or not, in your example, it
5 was based on the difference between what a utility may
6 have told a marketer to bring in, and what they
7 brought in, versus whether it was the actual
8 consumption of their customer versus what the marketer
9 nominated. Most of the instances that I'm familiar
10 with, the nomination is coming from the marketer
11 shipper agent. It's not being told by the utility how
12 much to bring in.
13 And then that's compared against what the
14 customer actually used. I'm not saying that other
15 mechanisms aren't out there.
16 MR. DIXON: Well, I -- yeah. In -- I won't go into that.
17 But, yeah, so we didn't investigate that.
18 MR. AMEN: No.
19 MR. DIXON: We don't have a listing of it.
20 MR. AMEN: No.
21 MR. DIXON: And I guess my point would be that, you know,
22 we rely on a lot of data coming out of Fortis. so is
23 Fortis willing to provide us with better data? Are
24 they willing to provide us with a forecast for the
25 day? So that we can -- we have a better forecast.
26 And I think my company is a bit different.

1 The reason I'm asking is, my company is a bit
2 different. We have a lot of smaller customers and we
3 don't have the big pulp mills that are burning flat
4 load to give us that nice base load.
5 So can we have access to the meter on the
6 day? Can we have a data feed that provides us with
7 better information?
8 MS. SALBACH: So basically as I've stated, you know, we
9 have metered devices on all of our -- at all of our
10 transportation sites. Customer sites. And that data
11 comes in every day. You have access to that. You
12 have access to historical data. You can see the
13 pattern of your customers, in aggregate, and on a
14 granular customer level.
15 **Proceeding Time: 11:58 a.m. T37**
16 And you can also access the forecast, the weather
17 forecast for the following day, and use historical and
18 the forecast, and whatever the algorithm you might use
19 with degree days to potentially predict what your
20 customer group is going to burn. You know, we --
21 MR. DIXON: So, I'm okay with -- I understand the answer.
22 MS. SALBACH: Right.
23 MR. DIXON: Is there a plan to provide us with better
24 data?
25 MR. HILL: How are we going to provide you with better
26 data, in the sense of, you've got historical burns,

1 correlated to what the degree days were there of those
2 days. That is going to all public information. You
3 can do your own algorithm to design what the forecast
4 is. Because we're using Environment Canada as well,
5 right?
6 MR. DIXON: Right, but --
7 MR. HILL: The information to produce a better forecast
8 for you is well within the marketers own privy to
9 figure out how to do that. You have their historical
10 consumption, and you have their historical weather
11 that drives that consumption. So, how can you not
12 derive an algorithm to forecast based on what
13 Environment Canada is telling you?
14 MR. DIXON: But I guess this goes back then to what has
15 been talked about then, there is a massive incentive
16 for us to always be over-delivering, because we don't
17 -- you know, I can't query, and have 800 customers
18 calling me.
19 MR. HILL: But I think we have evidence on the record
20 here to show that there are customers that have
21 customers similar to your type of customers managing
22 within that 10 percent. So how are they doing it?
23 They've beared the costs in their own internal
24 operations to figure out how to forecast going forward
25 what their customers are going to use.
26 MR. DIXON: Yeah, okay, I understand. So, from a data

1 perspective, we are not going to get access to any
2 better data? The closest data we're going to have is
3 going to be 48 hours old?
4 MR. HILL: Yeah.
5 MR. DIXON: Okay. I think that is all the questions I
6 have.
7 MR. HILL: Thank you.
8 THE CHAIRPERSON: So, we will come back at 1 o'clock,
9 thank you.
10 **(PROCEEDINGS ADJOURNED AT 11:58 P.M.)**
11 **(PROCEEDINGS RESUMED AT 1:00 P.M.) T38/39**
12 THE CHAIRPERSON: Go ahead.
13 MR. MARTISKAINEN: I'm Jouni Martiskainen with Catalyst
14 Paper. And I have just a couple of general questions
15 around balancing, and then the focus of the questions
16 are sort of follow-up questions for some
17 clarification, based on IR No. 2 from Catalyst Paper.
18 It's already been submitted with Q&A.
19 On the balancing charges, I think it was
20 mentioned this morning that the total revenue would be
21 approximately 1.6 million as an estimate. Is that
22 correct?
23 MR. HILL: Correct.
24 MR. MARTISKAINEN: And then in the revenue to cost ratio
25 work that's been done, this additional revenue has not
26 been taken into account? Or has it been taken into

1 account?
2 MR. HILL: I don't -- I can't speak for that part of it,
3 but the revenues that we've proposed, if there are
4 fees coming from the charges here, they would be
5 credited back to the midstream account, not --
6 MR. MARTISKAINEN: So just in general the question would
7 be if you have a residential customers that are, let's
8 say, 97, 96 percent revenue to cost ratio as is, and
9 industrials that are above 100, if you take this into
10 account, would then the ratios would move a little
11 bit? One would go up, one would go down.
12 MR. BYSTROM: Interject here. Right. So this panel is a
13 transportation service panel. They're in gas supply,
14 they're not really here to --
15 MR. MARTISKAINEN: Okay.
16 MR. BYSTROM: They're not experts in the COSA and, as you
17 know, like the last SRP that we had --
18 MR. MARTISKAINEN: Yeah.
19 MR. BYSTROM: -- that was the subject of that. So I'm --
20 MR. MARTISKAINEN: Okay.
21 MR. BYSTROM: I'm just trying to keep it in scope to
22 section -- Chapter 10 of the application, which is the
23 transportation service review.
24 MR. MARTISKAINEN: Yeah. So, under transportation
25 service rate schedules, rate design, 22A, 22B are
26 included, or just balancing?

1 MR. BYSTROM: It's really just the balancing. Those are
2 our proposals in Chapter 10.
3 MR. MARTISKAINEN: Yeah. Okay.
4 MR. HILL: Just to clarify one thing, though. The fees
5 are an estimate, on -- and if the marketers and
6 shipper agents are managing their supply/demand
7 balance below the 10 percent, there would be no
8 revenues back into the midstream. So, the 1.6 is an
9 estimate assuming that they don't modify or change
10 their behaviour.
11 **Proceeding Time: 1:02 p.m. T40**
12 MR. MARTISKAINEN: Okay. So just for clarification then
13 on the transportation service review, there's nothing
14 else around rate design at this point in time?
15 Postage stamp rate?
16 MR. BYSTROM: I'll just answer that one I guess.
17 MR. MARTISKAINEN: Yeah, okay.
18 MR. BYSTROM: Our proposals are in Chapter 10 of the
19 application and you saw the presentation this morning.
20 MR. MARTISKAINEN: Yeah, okay. That's the only question
21 I have. Thanks.
22 MR. KRESNYAK: Hi, Peter Kresnyak with Absolute Energy.
23 The questions I have today are mostly around imbalance
24 return. I know that Jim, Mr. Bursey, Tom, have made
25 comments to this already, so I'll keep it brief.
26 I guess first of all, can you confirm --

can Fortis confirm how many shipper groups are currently exclusively daily balanced?

MS. SALBACH: How many?

MR. KRESNYAK: Yeah.

MS. SALBACH: I would have to look, but I would say under ten.

MR. KRESNYAK: And then the total number of shipper groups that are currently on your system, do you have that number?

MS. SALBACH: Maybe eight. Sorry, sorry. I'm just trying to think of all of them in my head.

MR. KRESNYAK: Okay, so, yeah, I thought it was a seven or eight, so.

MS. SALBACH: Yeah, yeah.

MR. KRESNYAK: And then the total number of shipper groups?

MS. SALBACH: Total number of shipper groups monthly and daily?

MR. KRESNYAK: Monthly and daily.

MR. HILL: Twenty-three?

MS. SALBACH: Sure, yeah. Well, that would be one, two, three four, five, six, seven, is that how you did it?

MR. HILL: Yeah.

MS. SALBACH: Yeah, 23. 25, let's say.

MR. KRESNYAK: And so right now you look at a balance return, it's a resource that shippers are allowed to

1 unitize, its access to their imbalance or their
2 inventory. And that's a finite number that is
3 determined by Fortis, correct?
4 MS. SALBACH: The amount of imbalance return?
5 MR. KRESNYAK: Yeah.
6 MS. SALBACH: Yes.
7 MR. KRESNYAK: If we move from a monthly to a purely
8 daily balance scenario where all shippers are now
9 daily balanced, can Fortis explain the mechanism under
10 which imbalance return will be calculated per shipper
11 group?
12 MS. SALBACH: Okay, so today imbalance return is
13 calculated not based on demand, but it's based on the
14 number of requesters, number shipper agents requesting
15 the use of imbalance return. And it's also deduced
16 based on the amount that you request.
17 So if you have five shippers requesting,
18 say, 5,000 each of imbalance return and there's 10,000
19 available, each shipper gets 2,000 each. So five
20 requesters, ten is available, each gets 2,000. But if
21 one of those shippers only wants 1,000, so then they
22 will get allocated their 1,000, and the difference --
23 so originally the first path they would have gotten
24 2,000. Equal share of the pie.
25 **Proceeding Time 1:05 p.m. T41**
26 MR. KRESNYAK: Mm-hmm.

1 MS. SALBACH: Now, 1,000 has become available, and that
2 will now be allocated to the remaining four shippers.
3 So each of them will get an additional 250 on top of
4 their 2,000. So that's the determination of how
5 imbalance return gets calculated today.
6 MR. KRESNYAK: And --
7 MS. SALBACH: And it will continue to be so going
8 forward.
9 MR. KRESNYAK: Okay. So, is it fair to say, then, that
10 it's based more on a request versus an actual volume
11 that's under the shipper group, an aggregate volume?
12 MS. SALBACH: It's based on the number of people
13 requesting, of the total amount that's available and,
14 as I've described, the amount that's being requested,
15 to -- as to the degree that I just explained.
16 MR. KRESNYAK: Right. Right, okay. So, we as a shipper
17 agent manage all of our customers under daily
18 balancing arrangement, in different areas on your
19 system. And, you know, go back to comments that were
20 made about, you know, will the effects of moving from
21 monthly to daily create more inventory on your system.
22 Just, you know, our comments, just to state our
23 position as, you know, as a shipper agent that manages
24 it on a daily basis. We do hold inventory. As you
25 know, it's -- you know, we try to stay within the two
26 to three day scope that Fortis, you know, requests.

1 But the only way that we found, you know,
2 reasonable way to manage customer loads and customer
3 load volatility is to hold an inventory and we see
4 that as something that, you know, most shippers would
5 end up, you know, having to do, in order to manage
6 within the tolerances that you're proposing. So
7 that's not a question, that's more a statement.
8 My other question is, Fortis has proposed
9 that the same balancing rules that you're looking at
10 for the Lower Mainland and Interior will be applied to
11 the Columbia Region. That's correct?
12 MS. SALBACH: Correct.
13 MR. KRESNYAK: You know, we manage a number of customers
14 in that region, and currently there are really no
15 balancing rules in place other than the shipper
16 attempting to trend towards a zero balance. Is that
17 also correct?
18 MS. SALBACH: Well, Fortis holds the operational
19 balancing agreement with the pipeline.
20 MR. KRESNYAK: Mm-hmm.
21 MS. SALBACH: And so we manage that, and so you as a
22 shipper behind us also inadvertently benefit from our
23 management of that OBA.
24 MR. KRESNYAK: So the question is, does Fortis have any
25 balancing rules around a shipper agent, or shipper
26 group, in the Columbia region as compared to, say, the

1 Lower Mainland or other regions? It's a different set
2 of balancing rules is, I guess, what I'm asking.
3 MS. SALBACH: In place today, yes.
4 MR. KRESNYAK: Okay. So our concern is that, you know,
5 you go from pretty much a very loose, you know, set of
6 circumstances and in terms of how we balance customers
7 in that region today, going then to what you're
8 proposing which is, you know, a 10 percent tolerance,
9 a daily balance, and set of rules. And we're worried
10 that that's going to impact customers in that region
11 significantly, because we're going from, you know, one
12 -- you know, point A to almost point C or D, you know,
13 in one leap. And you know, we've stated in our IRs,
14 IR No. 2, that we have concerns around that.
15 So, I guess the question is, does Fortis
16 see that as an issue including that region in, you
17 know, the overall rate design for transportation?
18 Being that those customers are currently managed under
19 a very different set of rules as to other regions.
20 MS. SALBACH: We made our proposal, as you're aware. We
21 are proposing that, you know, the same set of
22 marketers, such as yourself, are managing daily
23 balance groups at the Lower Mainland and Interior
24 locations, and doing so reasonably well within the two
25 to three day pack tolerance.
26 **Proceeding Time: 1:10 p.m. T42**

1 We expect that these same shipper agents
2 that are managing well at those locations, can also do
3 the same at the Columbia region.
4 MR. KESNYAK: Okay, that's all I have, thanks.
5 MR. ANDREWS: Good morning -- or afternoon, excuse me.
6 I have just one topic and it's a fairly simple
7 question, I think. The imbalance charges as revenue,
8 how do they get treated under the PBR framework? Do
9 they -- are they a flow through?
10 MR. HILL: All the charges, all the gas cost charges
11 including UOR, balancing, and all that, are all
12 credited back to the midstream, so they are not
13 subject to the PBR mechanism. They flow through gas
14 costs.
15 MR. ANDREWS: Okay, thank you. That's my question.
16 MS. McCORDIC: Mary McCordic from Shell Energy. Shawn
17 and Stephanie, is it correct that right now we have
18 40,000 available to us as inventory return at the
19 Lower Mainland?
20 MS. SALBACH: Correct. That's right.
21 MS. McCORDIC: Well, on a good day. What do we intend
22 to do, if anything if the joint venture becomes a Rate
23 22? Will that 40,000 number change and how will it be
24 allocated to the various joint venture members?
25 MS. SALBACH: I believe our position would be that we
26 would maintain or continue to offer the 40,000 as we

1 do today, indifferent to whether the joint venture
2 becomes a Rate 22 customer.
3 MS. McCORDIC: Really? So there would be -- right now
4 they can -- there are no balancing provisions for
5 them. There would be nothing additional set aside for
6 that?
7 MS. SALBACH: Made available over and above the 40,000?
8 MS. McCORDIC: For the specific mills?
9 MS. SALBACH: The amount would remain the same. In joint
10 venture, if they were participating as a Rate 22, they
11 would have the ability to request imbalance return as
12 other --
13 MS. McCORDIC: Yeah, it's really the amount I'm talking
14 about.
15 MS. SALBACH: Oh, I see.
16 MS. McCORDIC: So there's no proposed change to that
17 aggregate amount?
18 MS. SALBACH: Not at this time.
19 MS. McCORDIC: Okay. Thank you.
20 MS. MARR: Good afternoon. Cathy Marr, consultant with
21 the Commission. My questions, first of all, are to
22 deal with clarifying how oversupply or pack situations
23 are handled, just to get a little bit more clarity on
24 what's involved there. And I'm going to refer to an
25 IR response to BCUC IR 85.1 and 86.1 in Exhibit B-21.
26 And in this case, Fortis provided more detail

1 regarding Fortis's increased warnings to shipper
2 agents since the Commission issued its decision in the
3 application to amend balancing charges for rate
4 schedule 23, 25, 26, and 27, also referred to as the
5 monthly balancing charge decision.
6 In the table that's set out in response to
7 BCUC IR 85.1 Fortis notes that a number of instances
8 of shipper agents packing their accounts. The
9 reasons that were given by the shipper agent were
10 "cold weather, supply restriction". And FEI further
11 states that in cases where cold weather is listed,
12 shipper agents reported the excess supply was as a
13 result of imbalance return being removed and then
14 supply restriction, the extra gas was to avoid
15 charges.
16 **Proceeding Time: 1:15 p.m. T43**
17 And then there was a description that some
18 shipper agents are compliant and respond immediately,
19 and others take a bit longer. And I believe that
20 there was an example here where it took -- for two
21 shipper agents where it took 60 days to comply.
22 In IR 86.1, the Commission asked if there
23 was a concern that changing to daily balancing for all
24 of the groups may result in a tendency for the
25 aggregated inventory levels to be greater positive
26 balances than currently experienced. And Fortis

1 responded they wouldn't anticipate that, because there
2 are cost implications to either the shipper agent or
3 the customer to pay for the excess supply.
4 So, my question at first is, would you
5 agree that for these two shipper agents who took 60
6 days to correct their imbalance, that cost
7 implications wouldn't seem to be motivating them?
8 MS. SALBACH: I mean, our approach in managing imbalances
9 has remained the same throughout the years. We
10 approach them and ask them to amend accordingly. In
11 some cases we've adjusted their nomination, as it
12 indicated in some of these IRs. But it is difficult
13 to say, you know, with certainty why some shipper
14 agents took longer to resolve their imbalances on our
15 system, in spite of requests made by FEI, versus
16 others that were more quick to respond.
17 MS. MARR: Oh, so in some cases, that's not enough to
18 motivate people to just leave it to economics?
19 MS. SALBACH: I'm not sure what their basis, or
20 rationale, economics or business decisions, or -- you
21 know, their business, commercial arrangements,
22 whatever they may be behind the scenes, would be to
23 motivate them to listen to FEI's verbal request to
24 make a change. It's hard to say.
25 MS. MARR: Okay. Also in BCUC IR 86.1, Fortis notes that
26 there are tools within the transportation rate

1 schedules that give Fortis the ability to deal with --
2 to take action to manage these over supply situations,
3 and you quote the existing Rate Schedule 23 tariff,
4 section 8.1(a), where it talks about there will be
5 consultation with the shipper regarding return of
6 excess inventory at no charge to the shipper.
7 And so, what I wanted to explore is what
8 that looks like. I'm thinking, and you can clarify
9 it, I think what that looks like when you say
10 "returning excess inventory", that there is maybe a
11 telephone call or email from yourself, There is some
12 sort of conversations that occur, requesting that they
13 take action. And then if that is not sufficient, at
14 some point under, for instance section 7.3 of the
15 tariff, Fortis could actually change the nomination to
16 the interconnecting pipeline. So, if they want to
17 request 100 units off the Westcoast system, Fortis
18 might reduce that to 80 to take the action on that
19 behalf.
20 So, I was wondering if you could maybe
21 describe what's the usual course, how long -- how
22 often it happens that Fortis takes action, how much of
23 it is more a conversation and communication from
24 Fortis?
25 MS. SALBACH: So, definitely our approach has, with all
26 marketers, has been a consultative type process. It's

1 never a drastic Fortis decides something needs to
2 change. It's the marketer is responsible for managing
3 their supply imbalances on our system, and we leave
4 that to them. That's their onus, right?
5 So if they are incurring imbalances, under-
6 delivering, over-delivering, there is emails, maybe on
7 a weekly, possibly on a weekly basis, or bi-weekly
8 basis, there is definitely oversight on our side to
9 see how they're doing, and where they are trending.
10 And then we reach out via email, or phone call or IM
11 in some cases, to ask them to rectify the situation.
12 **Proceeding Time: 1:19 p.m. T44**
13 And then as you've indicated, in some
14 instances over the least year or so we have taken
15 steps to physically amend a nomination in the day in
16 order to reduce supply receipts being brought on to
17 the system because the shipper agent was already --
18 had sufficient gas and had, after repeated requests,
19 not amended their supply accordingly.
20 Now, we prefer not to do this and leave the
21 onus on the marketer to manage this, but as you've
22 pointed out it is a section in the tariff that we're
23 allowed to exercise if after repeated requests the
24 action is not happening and is ignored essentially.
25 MS. MARR: Okay. So while on the -- or sorry, the under-
26 supply side there's tolerances and penalties, on the

1 over-supply side it's more moral suasion or
2 conversion, discussion?
3 MS. SALBACH: Yeah, discussion, conversation, and if need
4 be a manual intervention on our part. But having said
5 that, it's -- you know, there's five cycles. I could
6 maybe change somebody's nomination at the timely
7 cycle. The marketer could go back in the evening
8 cycle and change it back. So it's not a perfect
9 science either.
10 MS. MARR: Okay. In the case of these two shipper agents
11 that took over -- or took 60 days to correct it, was
12 there a change in there or did you actually go in and
13 change their nom?
14 MS. SALBACH: Yes, we did.
15 MS. MARR: Okay. My next one is the mechanics of the
16 imbalance return. And in the application, Exhibit B-1
17 on page 1027 you've got an example of what that looks
18 like with the imbalance return. And you had it today
19 as well on -- you -- sorry, it wasn’t in --
20 MS. SALBACH: I didn't include it today, sorry.
21 MS. MARR: That you could have -- actually in there
22 there's the nominated supply, the authorized supply,
23 and then you can actually have an imbalance return
24 amount that's authorized before you take into account
25 what the deficit is that day that the penalty will be.
26 MS. SALBACH: What -- sorry. Can you, Cathy, which --

1 MS. MARR: This is the table on -- the example on page
2 1027 of the application.
3 MS. SALBACH: Okay. Yes, I'm with you.
4 MS. MARR: So you've got a line in there that's actually
5 an imbalance return quantity that's authorized, and
6 then that factors into what's the total authorized
7 supply. So it becomes part of the supply together
8 with what's coming off the interconnecting pipeline
9 before you determine what the penalties would apply to
10 the amount that's short, yeah, would factor into.
11 MS. SALBACH: That would factor into daily supply and
12 would come -- would be factored into if any applicable
13 charges may apply, whatever they may be.
14 MS. MARR: Right. Okay. So this, I think this ties back
15 into an IR that Absolute had where they were wondering
16 if you are having -- because the way that you dip into
17 that excess inventory is, of course, by having supply
18 that's less than your consumption on the day. And I
19 believe that Absolute's question -- this is in Exhibit
20 -- Absolute's IR 1, Exhibit B-6, they were concerned,
21 it appeared, whether by doing so they might be outside
22 of the ten percent tolerance of the same penalties.
23 So my question is, if you've actually got
24 an agreed on imbalance return nomination that's been
25 authorized, that would avoid that situation, is that
26 correct? It wouldn't put you into the penalty because

it would be part of the authorized supply? So the concern that Absolute expressed in their IR --

MS. SALBACH: Yeah. So just to paraphrase or reiterate, so I believe what you're saying is -- which is kind of what you mentioned with your -- in the application in the figure 10.9, imbalance return effectively when it's authorized to a shipper it becomes -- it serves as an additional source of supply on the day in addition to what they've brought on, physically onto the system. And so, and as I've sort of said, that overall supply, your physical supply plus imbalance return authorized comes together to make up your total supply and will go against demand and if -- and be factored into charges that may be applicable on that day.

Proceeding Time 1:24 p.m. T45

MS. MARR: Right. So imbalance return when it's authorized looks no different than supply coming off the interconnecting pipeline?

MS. SALBACH: Correct. We treat it the same. Because essentially it is banked supply on our system that we're allowing the marketers to utilize on that day.

MS. MARR: Okay. How do the marketers or the shipper agents nominate -- is this a nomination made through the WIN system?

MS. SALBACH: Correct.

1 MS. MARR: Okay. So they would have to place that nom,
2 and they could do it on each of the nom cycles.
3 MS. SALBACH: Correct.
4 MS. MARR: Right. And an authorization comes back
5 through the WIN system?
6 MS. SALBACH: Yes.
7 MS. MARR: Okay. My next question is whether the tariff
8 actually reflects that process of nominating and
9 authorizing and what was discussed earlier about how
10 that's allocated. Is there anything in the tariff
11 itself, either the current or the proposed tariff,
12 that puts down in words what that nomination,
13 authorization and allocation process looks like?
14 MS. SALBACH: Not to that degree of what we just talked
15 about, what you were just talking about, about the
16 process of nominating or requesting imbalance return,
17 and Fortis authorizing, per se, in those words --
18 MS. MARR: Right.
19 MS. SALBACH: -- spelled out that way. But there is a
20 section --
21 MS. GRAVEL: 9.4.
22 MS. SALBACH: -- 9.4, thank you, in the tariffs, that
23 talk about the availability.
24 Are you able to read the section, Colleen?
25 MS. GRAVEL: So, yeah. So in the -- are you picking --
26 I'm sorry.

1 In the current Rate Schedule 22, and in all
2 the proposed rate schedules, because we're switching
3 to daily balancing, also it's continued Section 9.4 of
4 Rate Schedule 22. It's referred to as adjustments to
5 inventory, which is related to imbalance return. I
6 can read the section, if that's --
7 MS. SALBACH: Okay.
8 MS. GRAVEL: "When on any day the shipper delivers
9 more gas to the interconnection point than
10 its actual consumption, except for gas
11 purchased by FortisBC Energy under Section
12 22.8, shipper's gas, FortisBC Energy will
13 maintain an inventory account for the
14 shipper and will increase the balance in the
15 account by the excess amount received.
16 FortisBC Energy reserves the right to limit
17 gas quantities maintained in the shipper's
18 inventory account and will, from time to
19 time, at its discretion, and in consultation
20 with the shipper, return excess inventory at
21 no charge to the shipper. This will not
22 relieve the shipper from its obligation to
23 provide accurate nominations pursuant to
24 Section 8.1, requested quantity."
25 MS. MARR: Okay. So, it's that -- words that refer to
26 agreeing on the imbalance return that differentiates

that from gas that's just excess supply delivered.

MS. GRAVEL: Correct.

MS. MARR: Okay.

MR. HILL: I guess, Cathy, just to add -- I think what Stephanie alluded to about how that -- like, we have some business practices, if you will, that are not well understood by the shipper community and us about the 40,000 at the Interior and the Lower Mainland for imbalance return, and then how that's allocated. Yeah, the exact words are not in the -- as Colleen just read out, but we've put some business practices around how to administer that. Because -- so that everybody kind of understands how it works. And that's how we've evolved a little bit, trying to take what's the spirit of the tariff and putting some practical transparency to it.

MS. MARR: Is there any thought to putting further words in the tariff to describe how that happens so it's clearer?

MR. HILL: We haven't had any thoughts on that ourselves specifically. I can speak for ourselves, I think we've developed these practices with the marketers and things over years, and we haven't had a request to ask for that. But I'm --

MS. MARR: Yeah. Okay.

MR. HILL: Well, you know, it works two ways. I mean, we

1 can put all the rules in there, and then that's fine
2 too. You know, so it's --
3 **Proceeding Time:1:28 p.m. T46**
4 MS. MARR: Yeah, okay. My next set of questions are to
5 do with the costs and benefits of using the core
6 resources to balance the system.
7 In response to BCUC IR 54.2.2, there's a
8 table that specifies the resources that were used to
9 balance on the 10 days in 2015 with the greatest
10 absolute difference between the aggregate daily supply
11 and aggregate daily demand for the transportation
12 service. This was a table that was referred to by Jim
13 Langley earlier.
14 The resources that are listed there on
15 those days are typically Aiken Creek storage, Mist
16 storage, Jackson Prairie storage, and Fortis's
17 operational balancing agreement or OBA. Is that
18 correct?
19 MR. HILL: That's correct, yes.
20 MS. MARR: So I wanted to discuss the OBA that Fortis
21 has with Westcoast and also with Foothills B.C. Would
22 you agree that it's not exclusively a core portfolio
23 resource? This isn't something that's contracted as
24 part of the stack of supply resources, and if you were
25 a pipeline such as Westcoast connected to another
26 pipeline such as Northwest Pipe, you don't need to

1 have core sales volumes to have an OBA between two
2 pipes, is that correct?
3 MR. HILL: That's correct. A better way maybe to
4 describe the OBA is the physical -- or no, it's the
5 paper management of the amount nominated and scheduled
6 and actually taken at that -- where transfer of
7 ownership occurs, which is common on big pipelines.
8 Also between pipelines and utilities.
9 So it's a common industry practice that
10 there's imbalances between one physical asset and
11 another one. And this is just a way to track GJs and
12 who owes who at that specific meter or interconnect.
13 MS. MARR: Okay. But that is the one resource that's
14 not --
15 MR. HILL: It's not a firm resource.
16 MS. MARR: -- strictly a core resource.
17 MR. HILL: It's not included in the annual contracting
18 plan as a resource. You know, it's something that we
19 work with Westcoast on a daily basis to trend to zero.
20 A different -- you know, at different interconnecting
21 points at multiple pipelines.
22 But it's in our best interest as a system
23 interconnecting with an upstream pipeline that we
24 actually make sure that the efficient use of the
25 system as a whole is that -- you know, if we draft
26 that pipe, that puts the Westcoast facilities in some

1 -- you know, they've got to do some things physically
2 on their side to manage that too. So it's in our
3 best interest, along with all our customers' best
4 interest to keep that imbalance as best we can.
5 Because that gets reflected in the commercial price of
6 gas, one of the factors.
7 MS. MARR: Right. Okay.
8 The next one I have is in response to BCUC
9 IR 55.1 and this is further discussion about what
10 Fortis does in cases of Pack. And the wording -- I'll
11 just quote here:
12 "The rules in the tariff generally incent
13 shipper agents holding daily balance groups
14 to pack. For daily balanced customers
15 drafting is not permitted and in cases where
16 under-deliveries occur on the day, FEI
17 balances the shipper agent's group by
18 selling day gas."
19 And I was wondering if you could explain what that
20 means when Fortis says "balances the shipper agent
21 group by selling day gas"? In cases where there's
22 under deliveries on the day? I guess I'm -- you
23 know, is this gas that's contracted for by the core
24 that's sold on the day?
25 What's confusing me is the idea that you
26 would sell the gas in a situation of under supply.

1 Did you mean over supply, or is that a --
2 MS. SALBACH: No. So this is a situation where in
3 aggregate between the supply, direct supply plus
4 imbalance return authorized amount, and so there's
5 your total supply and then there's your demand. So if
6 you total supply is insufficient to meet demand, being
7 a daily balanced group means you cannot go below a
8 zero, or you can't trespass into a negative inventory
9 level. Cumulatively, yes.
10 So if your inventory is at zero, and you
11 have under-delivered on that day, then we will balance
12 -- Fortis will balance, as listed here, with day gas
13 to bring that account back into tolerance, or back up
14 to zero.
15 MS. MARR: Okay, so it's selling day gas to the shipper
16 agent, not selling the core's day gas balance.
17 MS. SALBACH: It's selling it to the shipper agent.
18 **Proceeding Time: 1:34 p.m. T47**
19 MS. MARR: Okay. Fair enough. So we've had a fair
20 amount of discussion I think about what you do in
21 those pack situations and whether that benefits the
22 core or costs the core. And I think would it be fair
23 to say really to sum it up, it's -- because it’s not
24 predictable, you're not able to use it as a resource,
25 because of that difficulty in predicting it. So, it
26 may in fact be a benefit on some days to the core, and

1 a cost to the core on some days, but because you can't
2 predict it, you can't use it as a planning -- as
3 resource for planning how to balance the system. Is
4 that correct?
5 MS. SALBACH: That's fair. I mean the supply that is
6 left on our system at any given day is not in our
7 annual contracting plan, it’s not in our supply
8 portfolio, we don’t rely on it, we don’t expect it.
9 We know sometimes it happens, but it is not
10 predictable. It is banked gas, and we have to manage
11 that excess gas at that time. And potentially, as
12 we've reviewed, you know, may incur midstream
13 resources to manage that excess supply at that time,
14 so in which case I wouldn't call it a benefit to our
15 system. I would, in this case, call it a cost
16 potentially.
17 MS. MARR: But it could, in effect, be a benefit on that
18 particular day, but one that you hadn't planned?
19 MS. SALBACH: It could, for sure.
20 MS. MARR: Okay, the next questions I have are about the
21 balancing charge revenue. And this has to do with the
22 excess --
23 MR. HILL: Just a second, Cathy.
24 MS. MARR: Oh, sorry.
25 MR. HILL: I would add to Stephanie's comment about the
26 underlying -- like a lot of the assets that are in the

1 midstream portfolio are fixed cost assets. So, it's
2 capacity storage and transportation. So, whether we
3 use it or not, we are paying those fixed costs. And
4 that's the majority for the costs. So, if we didn't
5 have those fixed costs and assets to balance, there
6 could be -- the issue here is driving the variable
7 costs in and out of those fixed cost assets that we're
8 trying to recover back to the midstream. We are not
9 even asking for in our fee here, any contributions to
10 those fixed costs.
11 So, you know, that is something to actually
12 physically manage that on a daily basis, if we didn't
13 have those physical assets, we'd have a different
14 outcome, and a different pricing in the midstream.
15 MS. MARR: Fair enough. I understand the fixed cost
16 aspect of it, but I think we've heard a number of
17 people today ask about whether on certain days where
18 you end up with more gas on your system and it's a
19 cold day, that could end up benefiting the -- it might
20 be a small benefit, but --
21 MR. HILL: So let's walk through that a bit. The fixed
22 costs are there. So, now when we're actually planning
23 for something on the core side, and they over deliver,
24 we actually have to maybe shut down one of our
25 resources that we've already got. So, and then we
26 have to actually in turn return that gas back to the

1 counter party, the shipper agent at some later date.
2 So, it is primarily the cost recovery that we've asked
3 for, in the balancing as around the variable, to drive
4 out and reduce a credit back to the midstream. It's
5 the variable cost savings. And as Ron has pointed
6 out, it is to reduce that variation daily from top to
7 bottom. If we get it tighter, then overall, the
8 variable cost would be lower.
9 MS. MARR: Okay.
10 MR. HILL: But it is not going to change the underlying
11 fixed costs that we hold in the annual contracting
12 plan, right?
13 MS. MARR: Mm-hmm.
14 MR. HILL: And as a utility, we are in a physical market
15 place. So, we need to have those resources, that's
16 not going to change what we need and how we operate
17 that. But, there is some underlying offset or
18 benefits to the transportation services, in my view,
19 for having those fixed assets there. It's an
20 auxiliary service, if you will, it's not its primary
21 purpose, but they are there for a certain reason, to
22 manage the core requirements, but there is an
23 attributable service that is coming to those shippers.
24 **Proceeding Time 1:24 p.m. T45**
25 MS. MARR: Okay, thank you. The next question is on the
26 balancing charge revenue, there was an estimate made.

1 This is in response to CEC's IR 1.56.1. This is the
2 estimated potential revenue of 21.4 million,
3 imbalancing charges that would have been collected in
4 2015 if you assumed that these daily balancing rules
5 had been in place at the time.
6 In response to a question by the BCUC in
7 the second round of IRs, in 89.2, so this is in
8 Exhibit B-21, Fortis provided a table showing the
9 revenue that was -- balancing revenue that was
10 collected for each year for the period from 2012 to
11 2016. So this was balancing gas revenue collected.
12 So it's an IR 2 response to BCUC at Table 89.2. And
13 there is revenue there from the daily balance -- the
14 charges that had come from daily balance customers as
15 well as the monthly balance revenues.
16 So my question is, is this potential
17 revenue estimate of 1.4 million incremental to this,
18 or would it replace this revenue, to some extent, the
19 monthly balancing charge portion of it?
20 Would you expect to have $1.4 million on
21 top of the revenue here that came in particular from
22 the monthly balancing gas revenue?
23 MS. SALBACH: Okay. Well, so, the table in the CEC IR
24 56.1, right?
25 MS. MARR: Well, that's where the estimate of the 1.4
26 came from.

1 MS. SALBACH: Right. That's the estimate and that -- so
2 that's incurring -- that's accounting for charges
3 within the 10 to 20 percent range of 25 cents, right?
4 As well as the above -- the above 20 percent rule in
5 place today. So, $1.10 and 30 cents in the summer.
6 To bring us to the 1.4.
7 MS. MARR: Right. So if I understand that estimate
8 correctly, that's assuming that everybody is on daily
9 balancing?
10 MS. SALBACH: This was based on behaviour that -- in what
11 year? 2015. The following table -- that could have
12 been collected in 2015 under the balancing rules that
13 we have in place today.
14 MS. MARR: So, but is it not for the monthly groups, if
15 the monthly groups had been on -- maybe I'm not
16 understanding that.
17 MS. SALBACH: No, no. This is -- sorry. Were you going
18 to say something?
19 MR. HILL: Go ahead.
20 MS. MARR: So, okay. Maybe I'm misunderstanding that
21 one.
22 MS. SALBACH: FEI calculated the potential charges that
23 could have been collected in 2015 -- sorry, assuming
24 all transportation groups were required to balance
25 daily within a 10 percent tolerance.
26 MS. MARR: So that would include the monthly?

1 MS. SALBACH: It -- yes.
2 MS. MARR: Right. So when I look at the revenue that was
3 collected in 2015, for instance, you would now not get
4 the revenue that was the monthly balancing revenue.
5 MS. SALBACH: Yes.
6 MS. MARR: So this is not incremental to what you
7 currently collected. And what's shown in that table?
8 MS. SALBACH: It's not incrementally collected, yes.
9 MS. MARR: That was the question. It's not incremental.
10 MS. SALBACH: Yeah. Right.
11 MS. MARR: Okay. So based on the information that is in
12 that table provided in response to BCUC IR 89.2, there
13 is a -- you can see there is a substantial drop in the
14 balancing -- monthly balancing gas revenue that was
15 collected. It was from the range of one million to a
16 million and a half per year, and then that dropped to
17 something in the order of four to 500,000.
18 Would you say that that was due to FEI's
19 increased use of tools it already had in the tariff as
20 encouraged by the Commission in the monthly gas
21 balancing decision? Or is it some other factors such
22 as weather?
23 MS. SALBACH: We would like to think that it's maybe a
24 combination of greater consultation and with marketers
25 managing monthly balance groups to manage more
26 tightly, as well as the decision that encouraged FEI

1 to use the tools available to us today, in order to
2 enforce more close, or tight -- tighter balancing
3 tolerances.
4 MS. MARR: Okay. So it's a measure in some way of some
5 increased vigilance in the outcome of that.
6 MS. SALBACH: Policing and discussion, and -- yes.
7 MR. HILL: But there can be other factors, Cathy, that
8 we're not aware of too, right?
9 MS. MARR: Yes, right.
10 MR. HILL: Like, that's the marketer decision.
11 MS. MARR: Right. Okay. My next set of questions is
12 with regard to the proposed tolerances and penalties
13 that they only apply on the undersupply side.
14 **Proceeding Time: 144 p.m. T49**
15 And we've had a fair amount of discussion about that.
16 They're one sided. And the monthly balancing price
17 decision that came from the Commission on page 22, the
18 Commission there directed Fortis to include in this
19 rate design review of monthly balancing a discussion
20 of the need for setting out unbalanced tolerances in
21 the tariff whether these tolerances should apply to
22 both positive and negative and include a review of the
23 practices of other utilities in the region. And
24 Fortis has done that and explained -- sorry. And
25 explained why you have no proposed a tolerance.
26 Sorry, I'm just trying to find my thoughts

1 here.
2 Sorry, so Fortis says in response to one of
3 the IRs, IR 55.1 that Fortis requests shipper agents
4 to balance their overall inventory levels to two to
5 three days of pack to two to three days of draft
6 inventory, and also further states the rules in the
7 tariff generally incent shipper agents to hold daily
8 balance groups to pack.
9 So we've got this conflict between what the
10 intent is, is to balance between two to three days of
11 pack and two to three days of draft, and in the first
12 page of the application Fortis says that they were
13 trying to eliminate monthly balancing so you can get
14 people to balance daily, consistent with what Fortis
15 is required at the interconnects, which is both a plus
16 positive and a pack and a draft. And yet the rules
17 only apply to the drafting side as far as tolerances
18 and penalties.
19 And so what I wanted to, first of all,
20 confirm that Fortis's current balancing tolerances and
21 penalties, they only apply on the one side.
22 So my question is, it's not consistent with
23 what Fortis is required to do on the interconnecting
24 pipes, and so I was wondering if you could explain
25 what Fortis is required to do, not as an
26 interconnecting pipe, but what's required as a shipper

on the Westcoast system as far as balancing? What are the tolerances and penalties? What do they look like?

MR. HILL: Okay, so as we talked a little bit about an OBA, operational balancing agreement, is really paper tracking of supply and demand at that physical meter. So we are interconnect with Westcoast and Foothills because our facilities interconnect with them. So there's a title transfer of gas between their facility and our facility and there's an OBA there. So that's fine.

But as a shipper on Westcoast or Foothills, like other industry participants, there are governing rules on how gas is nominated and scheduled and that's done on a daily basis. So if I hold firm service on Westcoast as a shipper, basically, and that was 10,000 units of firm capacity, I either use that capacity on that day or I don't, and I'm paying for the use of that capacity regardless of whether I use it or not.

So does that explain the difference for you as a shipper?

MS. MARR: My question was: For shippers on Westcoast, how do the tolerances and penalties, firm balance management apply there?

MR. HILL: So there are -- as a shipper, they have pools at Westcoast and there's a pool at station 2 and you're allowed a somewhat tolerance there as a shipper

1 to draft and pack the system as total. But ultimately
2 you still have to move the capacity on your firm
3 service day in and day out.
4 **Proceeding Time: 1:48 p.m. T50**
5 So whether you have a pack or a draft at
6 station 2 is kind of irrelevant if you can only move
7 so much of gas down the system. Does that make sense?
8 MS. MARR: But they do have actual tolerances that are
9 set out and penalties that are spelled out in the
10 tariff that would apply?
11 MR. HILL: They have tolerances and can charge -- if
12 you're one of the -- in hindsight, if you're out of
13 balance and they want you to balance, they can charge
14 you penalties. Yes, as a shipper.
15 MS. MARR: And is that fair to say that that has changed
16 over the 20 years?
17 MR. HILL: Yeah, that's for sure has changed. Pipelines
18 have tolerances and come up with commercial
19 arrangements there to help manage their overall system
20 line pack too. It's similar to the utility business
21 in the sense that they're trying to maintain their
22 inventories and the efficiencies of their line pack
23 and how much gas is coming on and off their system.
24 So they've commercially put tariffs or provisions in
25 their tariff to hold people accountable to manage to
26 their business. And that's an evolution on their side

that's gone on over the 20 years.

But I would say the utilities have always had balancing provisions because they recognize that. But what the rules are, are somewhat different for each utility.

MS. MARR: Right. And on those interconnecting pipes for shippers, the balancing provisions apply to both supply and draft?

MR. HILL: Yeah.

MS. MARR: Or pack and draft?

MR. HILL: Yeah.

MS. MARR: Yeah, and the same with --. In the work that Black & Veatch did, so in response to BCUC IR 59.3, Fortis states that Black & Veatch observed that they LDC balancing tolerances typically apply for both positive imbalances, packing, and negative imbalances or drafting, and it's in its review of the balancing provisions of more than 20 LDCs Black & Veatch did not note any that had a tolerance that applied only to the negative imbalance.

And my question is, has Fortis looked at the extent to which having tolerance penalties that apply to both the positive and the negative side, to pack and draft, would allow Fortis to just simply rely on the economics of those tolerances rather than having the administrative overhead of having phone

1 calls and emails and so on? Did Fortis look at --
2 MR. HILL: So Cathy, I think when we looked at the
3 proposals and what the industry practice was, and
4 where our existing tariff was today, we saw us at one
5 end of the pendulum versus where industry practices
6 are, and we viewed our approach here in this rate
7 design as moving us along the pendulum back to what
8 industry practice is. And recognizing that we're
9 making multiple changes here to a commercial
10 marketplace that customers have become aware of and
11 understand, so we didn't want to go right down to the
12 other end of the pendulum without evolving and see how
13 we go with these changes. And they have to be
14 approved first and then see where we're at. Rather
15 than going to something like -- that has a bandwidth
16 on the upside and the downside. That's a big change
17 on top of all the -- already the other changes that
18 we're making.
19 MS. MARR: Appreciate that, yeah. My point was, there
20 is some cost to the overhead of having to manage
21 through conversations and emails --
22 MR. HILL: Yeah, for sure.
23 MS. MARR: -- to keep people -- okay.
24 MR. HILL: But I guess, Cathy, one thing that I would
25 say that is positive on the cost side, over time
26 technology and overhead and gas costs from a -- like

1 the overheads of the people that are managing this
2 business are in the gas costs and, you know, over time
3 the technology on how we nominate gas, the system of
4 wins, all of this has commercially -- yeah, there's a
5 system there now, where it might have been three or
6 four or five people in the past grinding through a fax
7 machine. So there has been some synergies over time,
8 I would think, in helping us manage that through
9 technology.
10 MS. MARR: Yes. No, I recall being on the other end of
11 the fax machine years ago.
12 MR. HILL: And the paper jam.
13 MS. MARR: These next questions are for Black & Veatch
14 and to do with that work that you've done looking at
15 the tolerances that applied on these other pipelines.
16 **Proceeding Time 1:53 p.m. T51**
17 So the first one, it follows, in theory,
18 are there any benefits to either the utility or the
19 core customers of having a balancing tolerance that
20 applies to a balance -- a positive imbalance, in Black
21 & Veatch's view?
22 MR. AMEN: Would this apply to utilities that have
23 symmetrical imbalance tolerances versus not? Or just
24 in general, that a positive imbalance is somehow
25 beneficial to the utility?
26 MS. MARR: Right. What are the -- are there benefits to

either the utility or the core customers? Can you describe what those benefits might be by having a symmetrical set of tolerances and penalties?

MR. AMEN: Well, I think there's two questions there.

MS. MARR: Okay.

MR. AMEN: The first one, I thought, correct me if I'm wrong, was, is there a benefit for a positive imbalance to the utility or its customers. And then I thought you said, is there a benefit to having it symmetrical? Am I wrong?

MS. MARR: Sorry. It's to having a positive imbalance, yes.

MR. AMEN: Yeah.

MS. MARR: Tolerance.

MR. AMEN: I don't believe that it's much of any benefit, because it's so unpredictable. The utility and its core customers --

MR. TAYLOR: Hold on, Ron. I think maybe we're still missing the question.

MS. MARR: Okay.

MR. AMEN: Maybe we are.

MR. TAYLOR: Can you repeat it?

MS. MARR: Okay. In theory, are there any benefits to either the utility or core customers of having a balancing tolerance that applies to a positive imbalance?

MR. AMEN: Oh, to a positive imbalance.
MR. TAYLOR: Yeah. She's saying the up -- you know, you have a charge on the up side.
MS. MARR: Yes.
MR. AMEN: Oh, I see.
MS. MARR: To a pack situation.
MR. AMEN: Yeah, I totally misunderstood your question, then.

Well, in terms of creating a narrow range both on the positive and negative side, it helps, I think, the utility because it has less of unknowns to its daily management of the system. Because it can be better able to predict, based on if it believes that the tolerances and the charges for being out of balance are enough to get the behaviour of the customers, or its shipper agents, to operate within that range. So, there's less unknowns, in my opinion.

MS. MARR: Okay. And for the customers themselves, is there any benefit to having a --
MR. AMEN: For the core? I think potentially there are benefits, in that planning for their supply deliveries becomes a little more measurable, a little more kind of certain for the utility. So it doesn't create a potential for costs because of the fact that it's more difficult to plan.
MS. MARR: Okay. And for transportational service

1 customers?
2 MR. AMEN: Well, it may provide them with less
3 flexibility, because they wouldn't be able to bring on
4 more gas at times when they felt it was in their
5 economic interest to do so.
6 MS. MARR: Okay.
7 MR. AMEN: It all depends on what their anticipation,
8 seems to me, is for when is it most advantageous to
9 leave gas on the system? When prices are low, now,
10 and maybe an expectation it may be higher later. So
11 I'll pack now and then draw on the utilities gas
12 later, when they've got to give it back.
13 MS. MARR: I think you've answered my second -- next
14 question. And then do you have any explanation for
15 why all of the 20 utilities you looked at had both
16 tolerances for pack and draft, for positive and
17 negative, and why there are no other examples of
18 utilities that don't have symmetrical?
19 **Proceeding Time: 1:57 p.m. T52**
20 MR. AMEN: It may be that we didn't look long and hard
21 enough to find one that was equivalent to what the
22 Fortis provisions are. It so happens that the ones
23 that we looked at were symmetrical.
24 MS. MARR: Okay, so it wasn't that you were specifically
25 searching, it was the --
26 MR. AMEN: No, actually not. We were trying to be as

1 agnostic about it as possible and only look based on,
2 as I mentioned, some size considerations. Utilities
3 of relevant size. Wanted to get a good cross section
4 of geographic regions, because they are not all
5 equivalent in terms of what pipelines serve them and
6 how many. So, it was more based on getting sort of a
7 broad based sample than anything.
8 MR. TAYLOR: Yeah, and we didn't know when we were doing
9 the research that Fortis would propose a non-
10 symmetrical. So, we did the research, and then
11 presented results and talked through what we saw prior
12 to that decision. So, we didn't focus on those
13 utilities that may or may not. That wasn't a
14 screening criteria.
15 MS. MARR: Okay, thank you. The next questions I have
16 are about the possibility of a future review of
17 effectiveness of new balancing rules, and I think we
18 had one of the other parties up here earlier, and
19 there was even a suggestion on Fortis' part. So, if
20 the Commission approves the proposed transportation
21 service balancing changes, does Fortis agree it would
22 be appropriate to review and report on the
23 effectiveness of the proposed changes and the issues
24 that may be associated with unintended impact or
25 unexpected impact on the use of the core resources for
26 balancing the system? Is that something that Fortis

1 agrees would be appropriate to do at some point to
2 review the effectiveness?
3 MR. HILL: I don't think, Cathy, we have any problems
4 with that, or something, but it has to be some time to
5 allow the rules and the market conditions, and allow
6 the marketers and the shipper agents to change their
7 behavior over time too. You can't -- you know, it's a
8 process.
9 We've gone 20 years considerably without
10 changing the rules or whatever. So, it has to be, in
11 our view, have to allow some of the rules to play out
12 and have some data to go on in different market
13 conditions and that kinda thing.
14 MS. MARR: So that's my next question, what's the minimum
15 sort of time period you would think you would need?
16 MR. HILL: If I recall this morning, I thought that would
17 be like a three to five year process.
18 MS. MARR: Three to five, okay. And does Fortis have any
19 concerns or issues if the Commission directed Fortis
20 to include in any such future report a review of the
21 implications of moving to implement tolerances and
22 penalties for over-supply situations as well? Is
23 there any concerns you'd have if that was something
24 you were directed to take a look at?
25 MS. SALBACH: We would be fine with that.
26 MS. MARR: Yeah, okay.

1 MR. HILL: You are putting us to work, Cathy, here.
2 MS. MARR: The next one is to do with whether smaller
3 transportation service customers can manage with the
4 proposed balancing changes or not. I think you said
5 that there are 13 shipper agents? And Cascadia asked
6 a number of questions in Exhibit B-10 about the
7 differences between small volume customers and larger
8 volume customers, such as rate schedule 22 and the
9 difference in their level of sophistication, access to
10 resources and other factors.
11 So, my question is, how many transportation
12 service customers manage their own balancing of supply
13 and consumption without engaging a third party or a
14 shipper agent? Do any customers do their own
15 balancing?
16 MS. SALBACH: I believe Husky Refinery is one, and
17 Powerex? Cogen, Island Cogen.
18 MS. MARR: Okay, are these both daily -- schedule 22?
19 MS. SALBACH: Yes.
20 MS. MARR: So, none of the customers that are monthly
21 balanced customers manage their own --
22 MS. SALBACH: Correct, they do not.
23 MS. MARR: They're all managed by shipper agents?
24 MS. SALBACH: Yes.
25 MS. MARR: Okay. For transfers of imbalances between
26 daily and monthly balanced accounts, again in research

1 done by Black & Veatch in response to an IR by BCUC,
2 IR 59.2, Fortis states that based on the research
3 conducted on over 20 LDCs by Black & Veatch, Fortis'
4 current policy allowing shipper agents to transfer
5 imbalances between daily and monthly accounts is
6 unique.
7 **Proceeding Time: 2:03 p.m. T53**
8 So my question is, in Fortis' view, to what
9 extent are some of the issues that Fortis is seized
10 with the balancing of transportation service in
11 aggregate on the Fortis system do to the stability of
12 shipper agents to transfer balances between monthly
13 and daily accounts?
14 MS. SALBACH: So under today's rules, you know,
15 marketers are able to, as we've said, under-supply
16 their monthly group and behave in that manner without
17 penalty and over-supply in their daily, and so what we
18 would prefer is to bring everybody to one level
19 playing field to manage a daily balance group and look
20 at the group in isolation versus what marketers are
21 able to today, is look at how their monthly is doing
22 and under-deliver potentially and look at how their
23 daily is doing and over-deliver there. So maybe --
24 MS. MARR: I'm wondering, that practice of allowing the
25 transfers, how much is that contributing to the issues
26 that you've got? Is it --

1 MS. SALBACH: It's essentially a paper transaction.
2 MS. MARR: Where I'm headed on this, and it goes along
3 the lines of what Tom Dixon was looking at, is did you
4 look at phasing some of these things in, some of the
5 changes and was that explored? If you just eliminated
6 the ability to transfer, would that have been a first
7 step, and do you think that might contribute to -- or
8 sorry, help to resolve some of the issues.
9 MR. HILL: So I guess, Cathy -- yeah, so I think when we
10 put our proposals forward in this application after
11 some of the discussions at the workshops and what our
12 research told us about third parties, and yeah, we
13 considered other things, but what we landed on is what
14 our approach is and what our asks are here in the
15 application.
16 You know, in my opinion or whatever, to go
17 right to daily balanced eliminates a lot of the stuff
18 to do with monthly or daily, did you look at that, did
19 you look at this, or whatever. It's industry
20 practice. I think there's some support from some of
21 the marketers themselves that view that as something
22 that we should be doing.
23 You know, looking at phasing it, and all
24 that kind of stuff, you know, that's not something
25 that we thought would be -- we wanted to move along
26 the pendulum and we've done that, and we think that's

1 a good step.
2 MR. TOKY: Can I just add something to that?
3 MS. MARR: Okay.
4 MR. TOKY: So when we were looking at our proposed
5 changes to the transportation service and our
6 proposals, there were a few issues that we noted,
7 right? So one of the issues was the fairness,
8 fairness in terms of the transportation customers
9 itself, some of them are monthly balance and some of
10 them are daily balance, and some of them have the
11 ability not to be penalized for, you know -- they can
12 draft the system and they can -- there's no balancing
13 provisions. While every transportation customer, we
14 believe, has to match their supply to their demand.
15 So that's one of the issues of fairness.
16 And then there were -- there's an issue of
17 whether we are sending the appropriate price signals
18 or not. So that's basically where our proposal
19 number, Stephanie is coming on and whether we are --
20 like based on the industry practice and based on the
21 research done by Black & Veatch, whether we are --
22 where we are. Like in terms of what the industry
23 norms are.
24 So based on those considerations we moved
25 -- we believe it's reasonable to move everyone to
26 daily balancing and then also have this tiered

1 structure in terms of a balancing charges, wherein we
2 are not making huge changes as noted, that we don't
3 have any balancing charges within zero to ten percent
4 of the tier, but we are imposing a tighter balance
5 from 20 percent to 10 percent.
6 **Proceeding Time 2:08 p.m. T54**
7 But it's still within the industry norm,
8 and having charges on that is sending the appropriate
9 price signals. So that's basically what we believe
10 that, you know, those proposals are very reasonable
11 and appropriate at this point in time.
12 MS. MARR: Thank you. And my last set of questions has
13 to do with something we haven't talked about, is
14 Fortis's role as shipper agent. And I noted the table
15 that you brought up was a different version. There's
16 a Table 10.8 from the application, you presented
17 another view of it here that was in response to a
18 question by CEC. There's a revised Table 10.8 in
19 response to a Commission IR. Sorry, I've got the --
20 I'm just, sorry, finding the reference there. That
21 lists Fortis's -- where Fortis's position is on that
22 table above the 10 percent tolerance. And the one I'm
23 referring to, I think you know, Fortis is the second
24 one at the top, the second worst offender.
25 MR. BYSTROM: I believe it's Exhibit B-5, BCUC 60.9.1.
26 MS. MARR: Thank you, Errol. 60.9.1.

1 So my questions here have to do with
2 Fortis's role as a shipper agent. And as we can see
3 from this table, and Fortis's, I believe, has all
4 monthly balanced customers in its group. Is that
5 correct? And yet some of Fortis's historical
6 balancing has been up in the -- around some of the --
7 what people have referred to as the worst offenders.
8 So I'm looking at Fortis's practices. In
9 response to a question in the second set of IRs, BCUC
10 IR 90.3, this is in Exhibit B-21. Fortis provided
11 some details regarding the balancing gas revenue that
12 was collected from the customers that they serve, the
13 rate schedule 14A customers, over the past few years.
14 And what I wanted to confirm here is the balancing gas
15 revenue that's collected there from 14A customers,
16 would be according to the tolerances in the tariff.
17 That revenue is transferred to the
18 midstream and to the MICRA account, the Midstream Cost
19 Reconciliation Account, and then reimbursed to the
20 core customers through the storage and transport fee
21 in the same way as the premium was a net revenue
22 that's in the final line of that table.
23 MS. SALBACH: Correct.
24 MS. MARR: So both of those quantities go back to the
25 midstream --
26 MS. SALBACH: Midstream.

1 MS. MARR: -- to the credit of the core customers.
2 MR. HODGINS: Yeah, all the revenue to all gas go back to
3 the midstream.
4 MS. MARR: Right. Including the balancing revenues.
5 So, this question again relates back to --
6 the Commission has asked, if the tools are all there,
7 and you can balance daily, in its role as shipper
8 agent, Fortis has had some history in the past where
9 they haven't exactly balanced them -- we got some
10 numbers here in response to the BCUC IR 89.2, and
11 90.3, some data. And when you look at the total
12 balancing revenues that have been collected, and how
13 much Fortis incurred as a shipper agent, we see that
14 that percentage is as high as 21 percent, of the total
15 monthly balancing charge collected in 2014.
16 **Proceeding Time: 2:12 p.m. T55**
17 So, my question is, will Fortis, as a
18 shipper agent, have the same rules applied to them,
19 the daily balancing rules would apply to Fortis as a
20 shipper agent?
21 MR. HODGINS: Yes.
22 MS. SALBACH: So, the answer is yes. I just wanted to
23 point out that -- so it's the rate schedules that the
24 customers that are held to, would have daily balancing
25 provisions. And so -- right? Which is the change
26 that we are proposing here, right?

1 MS. MARR: Right, so that would apply to Fortis as a
2 shipper agent.
3 MS. SALBACH: Yes, so whether these customers were
4 managed by Fortis under rate schedule 14A or managed
5 by a marketer, same-same. In their tariff it would
6 have daily balancing requirements. And so, regardless
7 of who manages them, the customers would be held to
8 those balancing rules.
9 MS. MARR: Right. Okay, I think that is all the
10 questions that I have. Thank you.
11 THE CHAIRPERSON: There are no questions from the panel.
12 MS. MCCORDIC: Sorry, Mary McCordic, Shell Energy.
13 Shawn, this is for you. In the unique
14 situation in the Columbia where you may have an
15 interconnect where a specific customer is over 90
16 percent of the load, would you consider transferring
17 the OBA to that customer?
18 MR. HILL: No, we would not.
19 MS. MCCORDIC: I thought that would be the answer, but
20 thank you.
21 MR. BYSTROM: And maybe just before we move on, I will
22 just have -- mark the presentation this morning as
23 Exhibit B-28.
24 THE HEARING OFFICER: Marked B-28.
25 (FORTISBC SLIDE PRESENTATION MARKED EXHIBIT B-28)
26 MR. HILL: Actually, Mary, can I just follow up on that?

1 MR. BYSTROM: Sure.
2 MR. HILL: The reason why we would not do that is the
3 interconnecting facilities, the OBAs are our
4 interactions with Foothills pipeline. They are the
5 interconnecting pipeline on the Columbia Region that
6 Mary is talking about, and it is from a Fortis
7 facility, or from a Foothills facility to a Fortis
8 facility, and the customer is on the Fortis system.
9 So, it doesn't make any sense from our
10 perspective about the customer holding the OBA,
11 because we as the pipeline are responsible for
12 managing the interconnecting. Those are our
13 facilities, it's our business, We're the operator, and
14 we need to manage that collectively. That's the way
15 it was in the past, and it's not fair to Foothills to
16 be phoning the individual customers when they're not
17 even necessarily a customer of the utility. Make
18 sense?
19 THE CHAIRPERSON: Mr. Miller?
20 MR. MILLER: Madam Chair, I believe that concludes the
21 questioning from the intervenors, so I believe it is
22 appropriate now to canvas the parties on their desire
23 for oral argument and the timing.
24 THE CHAIRPERSON: Okay. So, we'll start with FEI?
25 MR. BYSTROM: I am happy to proceed now, but I would
26 think that to do so, if we could get everybody up and

1 down today, and I think we'd probably have to sit
2 until around 5 o'clock to do that. So, if we're all
3 willing to go that far, I'm happy to do argument
4 today.
5 MR. BURSEY: Madam Chair, David Bursey for the Industrial
6 Customer Group. I'd prefer to do it on Monday. I
7 think -- I'd like the benefit of reviewing the
8 transcript. There has been quite an exchange on a
9 number of issues, and it would be more efficient to do
10 it on Monday, from my perspective.
11 THE CHAIRPERSON: Okay.
12 **Proceeding Time: 2:17 p.m. T56**
13 MR. BURSEY: We don’t have -- argument won't be long in
14 our case, because we've just a couple of issues, but
15 it would be more efficient.
16 MR. WEAFER: Chris Weafer, Commercial Energy Consumers.
17 We're happy to go forward today or Monday. In
18 fairness to Mr. Bursey, I'm happy to support his
19 position, but we can proceed today if you wish.
20 MR. ANDREWS: I'm in the same position as Mr. Weafer.
21 MR. KRESNYAK: Peter Kresnyak, Absolute Energy. We'd
22 prefer to review the information that we've seen today
23 and give argument on Monday.
24 MS. McCORDIC: I'd also prefer Monday.
25 MR. DIXON: Tom Dixon, Access Gas. Monday probably
26 works best for us.

MR. MARTISKAINEN: Jouni Martiskainen with Catalyst Paper. We would support Monday as well to give folks more time.

MR. MILLER: Madam Chair, of course, Commission staff don't make arguments. We have no preference.

THE CHAIRPERSON: Sounds good. Well, I think we will come back on Monday and have arguments at that time. Thank you everyone for your participation today.

(PROCEEDINGS ADJOURNED AT 2:18 P.M.)

I HEREBY CERTIFY THAT THE FORGOING is a true and accurate transcript of the proceedings herein, to the best of my skill and ability.

A.B. Lanigan, Court Reporter

November 22nd, 2017