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May 23, 2019

Patrick Wruck
Commission Secretary
British Columbia Utilities Commission

Re: FortisBC Energy Inc.
Application for Approval of Tariff Amendments, effective May 1, 2019 to:
• Rate Schedule (RS) 46 Liquefied Natural Gas (LNG) Sales, Dispensing and
Transportation Service Tariff (RS 46)

Whereas:

- A. On April 17, 2019, FortisBC Energy Inc. ("FEI") applied to the British Columbia Utilities Commission ("BCUC") to change the structure of the commodity rate in RS 46 from a market-based index to the structure of the commodity-related charges applicable to all of FEI's other sales service customers that are served under bundled rate schedules, on an interim and permanent basis, with interim rates to be effective May 1, 2019.
- B. On May 9, 2019, the BCUC filed an information request, requiring FEI's response by May 16, 2019 (Information Request No. 1).
- C. On May 16, 2019, FEI filed its response to the BCUC information request (Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1).

FEI proposes the following amendments to the current RS 46 commodity rate found in the Table of Charges for LNG Service in the Commodity Charge per GJ section:

- Replace the current Commodity Charge per GJ set at the Sumas Monthly Index Price plus the Market Factor per GJ with two separate charges:
 1. the Cost of Gas (Commodity Cost Recovery Charge) per GJ; and
 2. the Storage and Transport Charge per GJ (including the applicable Rate Rider 6 and applicable notes).
- Set the Cost of Gas (Commodity Cost Recovery Charge) to \$1.549 per GJ, which is the current BCUC-approved rate applicable to Rate Schedules 1, 1B, 2, 2B, 3, 3B, 4, 5, 5B, 6, 6P and 7.

- Set the Storage and Transport Charge to \$1.029 per GJ and the applicable Rate Rider 6 to \$(0.016) per GJ. These charges are the current BCUC approved Storage and Transport and Rate Rider 6 charges applicable to RS 5 (General Firm Service).
- As a result of the above, set the total RS 46 commodity related charges equal to the BCUC-approved total commodity charges for FEI RS 5 of \$2.562 per GJ.

In Response:

BC Ferries recognizes the impact of the volatility of prices at the Huntington-Sumas hub, and supports efforts to mitigate the effects of this volatility on RS 46 customers.

BC Ferries seeks clarification to the following points:

1. With respect to the second of the three primary reasons FEI uses to support the change in the structure of the commodity rate in RS 46:

The proposed amendments more accurately reflect how FEI actually purchases and manages the commodity for RS 46 customers through its portfolio in the ACP.ⁱ

And, FEI further states that:

FEI actually purchases the commodity for RS 46 customers through the ACP at market hubs tied to production basins such as Station 2 in BC and AECO/NIT in Alberta.ⁱⁱ

And:

FEI was aware of Sumas market price volatility at the time that RS 46 was developed.ⁱⁱⁱ

And:

The commodity rate in RS 46 set at the Sumas Monthly Index Price has been simply a commodity rate calculation unrelated to how the commodity supply was and is procured in the ACP.^{iv}

And:

The commodity charge structure for RS 46 is a rate-setting mechanism that collects revenue but, in its market-based index form, the revenue collected has no direct relationship to the costs to procure the commodity.^v

Clarification Required:

- BC Ferries seeks to understand why FEI did not apply to change the structure of the commodity rate in RS 46 prior to the October 9, 2018 pipeline rupture and ongoing capacity restrictions on the T-South pipeline system (T-South Incident).

2. With respect to RS 46 customer feedback regarding the Application:

FEI received questions in response to FEI's proposals from Seaspan Ferry Corporation (SFC), which came via email. SFC requested a historical look at what gas costs would have been under the proposed RS 46 commodity rates based on RS 5 charges versus the status quo of gas costs under the Sumas market hub prices to date. This information was provided to SFC by FEI.^{vii}

Clarification Required:

- BC Ferries requests a copy of the information provided by FEI to SFC. BC Ferries seeks to understand the difference between the cost to FEI to procure gas for RS 46 customers and the cost charged by FEI to supply gas to the same RS 46 customers.
- BC Ferries seeks to understand whether RS 46 customers will be compensated for the difference in commodity costs.

3. With respect to storage and transport charges:

There were questions from customers as well about the elements that make up the "storage and transport" component of the proposed RS 46 commodity-related charges, and FEI committed to adding a definition in the tariff to clarify the elements included in the "storage and transport" component.^{viii}

Clarification Required:

- BC Ferries seeks confirmation that the adjustment to commodity-related charges in RS 46 for which FEI seeks approval will not result in duplication in any charges, including storage and transport.

4. With respect to alternate gas supply sources:

FEI is not opposed to considering an adjustment to reduce the volume threshold which would allow more RS 46 customers to annually elect, as is done with FEI's Transportation Service rate schedule, to procure and supply their commodity on their own or through a gas marketer.^{viii}

Clarification Required:

- BC Ferries seeks further information regarding the process to be undertaken with RS 46 customers to reduce the volume threshold to allow RS 46 customers to annually elect to procure and supply their commodity on their own or through a gas marketer.
- BC Ferries seeks clarification regarding the measures to be taken by FEI to ensure that RS 46 customers will benefit from the lowest possible prices for gas, assuming that the adjustment to commodity-related charges in RS 46 is approved.

For further information or questions, please contact myself or Joanne Carpendale at 250-978-1388.

Sincerely

A handwritten signature in blue ink, appearing to read "M. Alana Gallagher".

M. Alana Gallagher, Chief Financial Officer
British Columbia Ferry Services Inc.

ⁱ Application for Approval of Tariff Amendments, effective May 1, 2019, p. 7.

ⁱⁱ Ibid, p.8.

ⁱⁱⁱ Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 1, p. 10.

^{iv} Ibidp. 21.

^v Ibid.

^{vi} Ibid, p. 34.

^{vii} Ibid.

^{viii} Ibid, p. 23.