



August 7, 2019

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<b>FEI GSMIP 2019-2022 EXTENSION</b>
<b>APPLICATION EXHIBIT A-3</b>

Mr. Doug Slater  
Director, Regulatory Affairs  
FortisBC Energy Inc.  
16705 Fraser Highway  
Surrey, BC V4N 0E8  
gas.regulatory.affairs@fortisbc.com

**Re: FortisBC Energy Inc. – Application to Extend the Gas Supply Mitigation Incentive Program for the period November 1, 2019 to October 31, 2022 – Project Number – 1599025 - BCUC Information Request No. 1**

Dear Mr. Slater:

Further to your June 6, 2019 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Information Request No. 1. In accordance with the regulatory timetable established by Order G-163-19, please file your responses on or before **Wednesday, August 21, 2019.**

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

GE/dg  
Enclosure



FortisBC Energy Inc.  
Application to Extend the Gas Supply Mitigation Incentive Program (GSMIP) for the Period  
November 1, 2019 to October 31, 2022

**INFORMATION REQUEST NO. 1 TO FORTISBC ENERGY INC.**

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**A. GSMIP GUIDING PRINCIPLES**

**1.0 Reference: INTRODUCTION AND BACKGROUND  
Exhibit B-1, Section 1, p. 2  
GSMIP Guiding Principles**

On page 2 of FortisBC Energy Inc.’s (FEI) Application to Extend the Gas Supply Mitigation Incentive Program (GSMIP) for the Period November 1, 2019 to October 31, 2022 (Application), FEI states:

In 2011, the GSMIP was revised based on comprehensive consultations of the Working Group that was established pursuant to the direction of the BCUC. In Order No. G-26-11, the BCUC outlined a set of eight “Guiding Principles” to assist the Working Group in drafting new design objectives and creating a new incentive mechanism. They are:

1. The incentive must demonstratively deliver value to ratepayers and reward ongoing innovation and true value added over and above what is reasonably expected in the normal stewardship of FEI’s business.
  2. Execution of the incentive program must not put the prudently planned gas supply portfolio at risk nor promote a departure from prudent gas supply management for core customers’ requirements.
  - ...
  6. The incentive plan should reward FEI for its innovation rather than for opportunities that arise from events that impact the industry in general (e.g. hurricanes).
- 1.1 Please discuss what ongoing innovations in GSMIP activities FEI is pursuing or plans to pursue for the proposed extension term.
  - 1.2 Please discuss to what extent the existing GSMIP has been successful in driving innovation at FEI during the current GSMIP term since November 1, 2016.
  - 1.3 Please discuss how GSMIP activities impacted FEI’s natural gas supply and commodity pricing in the wake of the October 9, 2018 Enbridge T-South pipeline rupture.
  - 1.4 Please discuss how the Enbridge T-South pipeline rupture affected FEI’s revenues from GSMIP activities.

1.4.1 Please explain how FEI calculates the value of the cost mitigation activities when an event such as the Enbridge T-South pipeline rupture impacts the industry in general.

**2.0 Reference: GSMIP MODEL DESCRIPTION  
Exhibit B-1, Section 3; pp.6–8; Section 3, pp.16–19; Appendix B, Table 2  
Cost Mitigation Activities**

On page 6 of the Application, FEI states:

All activities included in the GSMIP are based on mitigation of the gas portfolio resources held by FEI pursuant to its ACP...Benchmarked activities are cost mitigation activities for which a reasonable market benchmark has been established. Benchmark activities include daily transportation mitigation, transportation capacity releases, and spot commodity resales.

The list of Benchmark activities included in the GSMIP Term Sheet includes the following:

- T-South Transportation
- Southern Crossing Pipeline (SCP) Transportation
- Foothills Transportation
- Forward Capacity Releases
- Commodity Resale.

In Appendix B, FEI provides the following table:

Mitigation Activity Detail								
Mitigation Activity	2017/18		2016/17		2015/16		2014/15	
	Net Mitigation Revenue (in Millions)	Incentive Earned						
<b>BENCHMARKED ACTIVITIES</b>		<b>2.59%</b>		<b>2.54%</b>		<b>2.78%</b>		<b>2.97%</b>
T-South Transportation	\$34.884	\$0.90	\$43.420	\$1.10	\$30.733	\$0.85	\$32.101	\$0.95
SCP Transportation	\$0.088	\$0.00	\$2.301	\$0.06	\$0.409	\$0.01	\$5.563	\$0.17
Foothills Transportation	\$9.871	\$0.26	\$9.503	\$0.24	\$9.504	\$0.26	\$4.632	\$0.14
Forward Capacity Release	\$26.753	\$0.69	\$20.862	\$0.53	\$11.041	\$0.31	\$9.842	\$0.29
Commodity Resale	\$21.500	\$0.56	\$13.333	\$0.34	\$20.601	\$0.57	\$12.556	\$0.37
<b>TOTAL BENCHMARKED ACTIVITIES</b>	<b>\$93.096</b>	<b>\$2.411</b>	<b>\$89.419</b>	<b>\$2.271</b>	<b>\$72.288</b>	<b>\$2.010</b>	<b>\$64.694</b>	<b>\$1.921</b>

2.1 Please explain how the T-South Transportation benchmarked activity was affected by the Enbridge T-South pipeline rupture.

2.1.1 Please provide the approximate cost mitigation value of FEI holding additional transportation capacity and transportation capacity over the previous 3 years.

2.2 Please explain how FEI calculates the Forward Capacity Release revenue.

2.3 Please explain how FEI generates revenue from its Forward Capacity Release mitigation activity.

2.3.1 Please confirm that revenues generated by the Forward Capacity Release mitigation activity relate to T-North, T-South and NOVA capacities released to shippers.

2.3.2 If not confirmed, please provide all sources of Forward Capacity Release revenue.

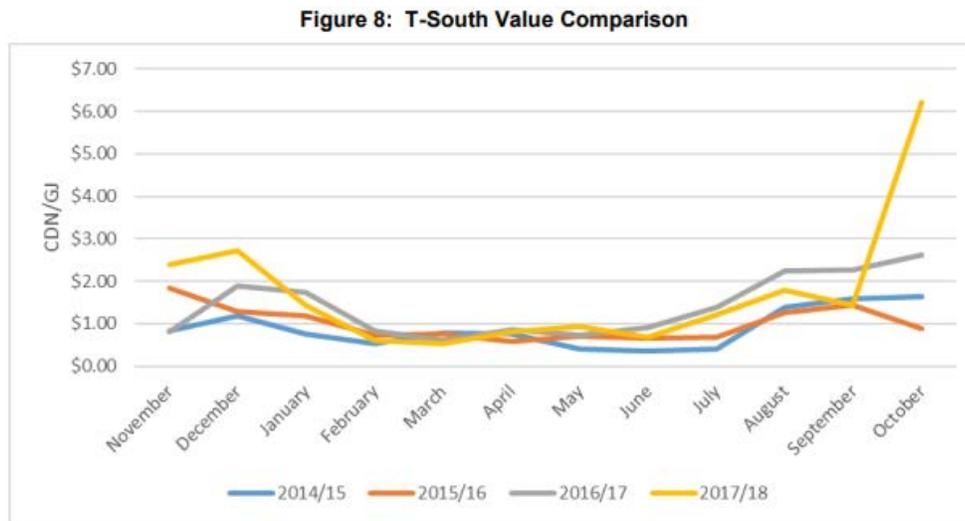
2.4 Please confirm, or explain otherwise, that FEI contracts this capacity pursuant to its Annual Contracting Plan.

- 2.5 Please provide a graph clearly showing the monthly capacity and the monthly volume of excess, unutilized capacity FEI has had on each pipeline identified in FEI’s response to the above between 2014/15 and 2017/18 which was released to other shippers.
  - 2.5.1 Please discuss the factors that caused an increase of approximately \$6 million in forward capacity release between 2016/17 and 2017/18.
- 2.6 Please confirm, or otherwise explain, that commodity resale can only occur when surplus supply has been purchased in excess of core load demand.
  - 2.6.1 Please discuss the factors which caused the commodity resale revenue to increase increased approximately \$8 million between 2016/17 and 2017/18.
  - 2.6.2 Please explain how this revenue is related to the forward capacity release.

On page 8 of the Application, FEI states:

The capacity factor measures FEI’s utilized capacity on Westcoast T-South and Transcanada Foothills pipelines relative to the overall pipe capacity factor on those pipelines. If FEI’s capacity factor falls below the capacity factor on either pipeline, there would be a reduction in mitigation revenue eligible for an incentive under the GSMIP.

On pages 18 of the Application, FEI provides the following Figure:



- 2.7 Please provide a graph showing total T-South and Foothills capacity and FEI’s utilization of the available capacity for each pipeline over the winter over the previous 3 years.
  - 2.7.1 For each pipeline, please provide the capacity factor that triggers a reduction in mitigation revenue eligible for an incentive under GSMIP.
  - 2.7.2 Please discuss how this capacity factor was calculated and provide any assumptions made.
- 2.8 Please confirm, or otherwise explain, that the T-South Value Comparison represents the per gigajoule cost of transportation from Station 2 to Sumas/Huntingdon.

On page 19 of the Application, FEI states:

However, due to the pipeline incident, and follow-on National Energy Board operating orders applied to Westcoast, FEI believes there is high probability that summer 2018/19 and beyond will see firm transportation constraints.

2.9 Please explain how transportation constraints will affect (i) FEI's ability to provide service to its customers and (ii) FEI's ability to generate mitigation revenue.

2.9.1 Please discuss the effects, if any, customers switching from the Transportation service to FEI's bundled service will have on FEI's ability to provide service in the event of further constraints on T-south.

## **B. GSMIP UPDATES**

**3.0 Reference: GSMIP UPDATES AND TERM  
Exhibit B-1, Section 5, p. 20  
Energy Trade and Risk Management Systems Replacement**

On page 20 of the Application, FEI states:

FEI is currently undertaking an Energy Trade and Risk Management (ETRM) systems replacement project with expected roll-out in 2020. During the design phase it may be determined that new data feeds and subscriptions will be utilized for market pricing data. FEI is evaluating alternative sources which may prompt a change in the current GSMIP Base Benchmarks as reported by Platts Gas Daily and OneX, respectively. If required, at the appropriate time FEI would submit to the BCUC a request to amend the Term Sheet and provide details on the updated Base Benchmark sources.

3.1 Please discuss whether the roll-out of the ETRM systems replacement would be an appropriate time for a comprehensive BCUC review of GSMIP.

3.1.1 If FEI does not find this to be an appropriate time, please discuss a preferred timeframe for a comprehensive review of GSMIP.

3.2 When does FEI anticipate filing an application related to the comprehensive review of GSMIP?

3.2.1 Will this application include a request to continue with GSMIP? Please discuss.