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August 21, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

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

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

On June 6, 2019, FEI filed the Application referenced above. In accordance with BCUC Order G-163-19 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

If further information is required, please contact Matt Yasinchuk at 604-576-7052.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Registered Parties



FortisBC Energy Inc. (FEI or the Company) Application to Exten the Gas Supply Mitigation Incentive Program (GSMIP) for the period November 1, 2019 to October 31, 2022 (the Application)	Submission Date: Augsut 21, 2019
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1 **A. GSMIP GUIDING PRINCIPLES**

2 **1.0 Reference: INTRODUCTION AND BACKGROUND**

3 **Exhibit B-1, Section 1, p. 2**

4 **GSMIP Guiding Principles**

5 On page 2 of FortisBC Energy Inc.'s (FEI) Application to Extend the Gas Supply
6 Mitigation Incentive Program (GSMIP) for the Period November 1, 2019 to October 31,
7 2022 (Application), FEI states:

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

13 1. The incentive must demonstratively deliver value to ratepayers and reward
14 ongoing innovation and true value added over and above what is reasonably
15 expected in the normal stewardship of FEI's business.

16 2. Execution of the incentive program must not put the prudently planned gas
17 supply portfolio at risk nor promote a departure from prudent gas supply
18 management for core customers' requirements.

19 ...

20 6. The incentive plan should reward FEI for its innovation rather than for
21 opportunities that arise from events that impact the industry in general (e.g.
22 hurricanes).

23
24 1.1 Please discuss what ongoing innovations in GSMIP activities FEI is pursuing or
25 plans to pursue for the proposed extension term.
26

27 **Response:**

28 The guiding principles supporting reward for ongoing innovation under the GSMIP have helped
29 create and support a culture of innovation within the gas supply department by providing an
30 incentive to search for new innovative ways to add value for customers. Innovation can be
31 expressed in many ways and relates to all aspects involved in capturing market opportunities
32 (i.e., transactions/deals), including deal structure, mitigation activities, counterparty development
33 and relationship management, as well as continued improvement around internal
34 processes/controls and developing internal employee skillsets.

35 FEI's culture of innovation has led to the realization of a number of opportunities including:



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- 1 • Mitigation transactions based on the Southern Crossing Pipeline (the costs of which are
2 reflected in Delivery Rates) including Station 2 to Kingsgate and Savona deal structures.
3 These transactions required FEI to have the creativity and access to capable
4 counterparties in order to structure such deals for the benefit of customers.
- 5 • FEI's innovative procurement strategies managed through the Annual Contracting Pain
6 (ACP) include gas purchases outside of the gas year, establishing longer term
7 commodity supply deals with counterparties, and securing incremental T-South capacity
8 to help FEI manage the unfolding market conditions that are currently taking place.
9 Please also refer to the response to BCUC IR 1.2.1.1 for further information on the deals
10 and associated benefits.

11
12 FEI's innovative activities related to executing deals through the ACP, or transacting mitigation
13 deals that are recorded to the midstream account or the Southern Crossing deferral account,
14 provided benefits to customers by reducing their gas costs and increasing the security and
15 diversity of supply, but do not fall within the narrowly defined innovation component of the
16 GSMIP.

17 FEI will continue to diligently bring forward new ideas that result in transactions that provide
18 benefits to customers over the course of the extension of the GSMIP. At the current time, FEI
19 has no specific plans for innovative activities within the GSMIP, but will continue to pursue
20 innovative opportunities for mitigation that arise based on market conditions and the regional
21 marketplace, as has been done in the past.

22
23
24
25 1.2 Please discuss to what extent the existing GSMIP has been successful in driving
26 innovation at FEI during the current GSMIP term since November 1, 2016.

27
28 **Response:**

29 Please refer to the response to BCUC IR 1.1.1.

30
31
32
33 1.3 Please discuss how GSMIP activities impacted FEI's natural gas supply and
34 commodity pricing in the wake of the October 9, 2018 Enbridge T-South pipeline
35 rupture.
36

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1 **Response:**

2 GSMIP activities did not impact FEI's natural gas supply or commodity pricing in the wake of the
3 October 9, 2018 Enbridge T-South pipeline rupture. Due to the capacity reduction and supply
4 constraints in the Pacific Northwest resulting from the rupture, which contributed to significant
5 uncertainty for the ensuing winter season, FEI undertook GSMIP and non-GSMIP mitigation
6 activities only after meeting firm core load requirements, balancing the system, and refilling
7 storage to help mitigate future uncertainties around when gas supply would return to normal
8 levels.

9 During the timeframe immediately following the October 9, 2018 Enbridge pipeline rupture
10 through to December 31, 2018, FEI had a conservation messaging campaign in place across its
11 service region. During this timeframe, when FEI was required to undertake mitigation activities,
12 such as Transportation (NOVA/FoothillsBC) and Commodity Resale (Huntingdon and
13 Kingsgate), these revenues were not captured under GSMIP, as FEI made the decision not to
14 include these revenues. For the first two months of the 2018-2019 gas year (November and
15 December 2018) revenue from GSMIP Benchmarked activities was zero dollars as provided in
16 FEI's filing of the 2018-2019 GSMIP Winter Report on May 29, 2019, under Appendix A –
17 GSMIP Model 2018-2019 Winter (Confidential).

18 Further, the GSMIP model, as designed by the 2011 Working Group, does not filter out the
19 impacts of market events which have either a positive or negative impact on prices, spreads or
20 mitigation revenue. Moreover, it is not possible to single out the effects of any one particular
21 market event as there are many different price influences on any given day or over any given
22 timeframe. While the October 9, 2018 Enbridge T-South pipeline rupture reduced the supply of
23 natural gas available to the Pacific Northwest region, it was not the only variable which impacted
24 the market. Other factors included: warmer than seasonal weather and temperatures until
25 February 2019; planned and unplanned pipeline maintenance; planned and unplanned storage
26 facility outages; regional precipitation, snowpack and water reservoir levels; power markets;
27 storage inventory levels; market reports; conservation messaging; and the impacts of both
28 physical and financial gas supply management by regional operators and shipper agents.

29 FEI's secures the needed commodity supply, storage and transportation capacity resources to
30 meet its firm core load requirements as set out in its ACP. FEI continually optimizes the
31 resources in its natural gas portfolio in order to meet customer demand, balance the system and
32 achieve operational efficiency based on the day-to-day conditions. Mitigation activities are
33 undertaken only once the firm core load requirements are met.

34

35

36

37 1.4 Please discuss how the Enbridge T-South pipeline rupture affected FEI's
38 revenues from GSMIP activities.

39



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1 **Response:**

2 Immediately after the Enbridge pipeline rupture, for the months of November and December
3 2018, FEI did not record any revenues under the GSMIP due to FEI's conservation message.
4 Then in January, due to warmer than normal temperatures, and February being colder than
5 normal, this created price differentials that created opportunities for mitigation activities which
6 increased revenues. Please also refer to the response to BCUC IR 1.1.3.

7

8

9

10 1.4.1 Please explain how FEI calculates the value of the cost mitigation
11 activities when an event such as the Enbridge T-South pipeline rupture
12 impacts the industry in general.

13

14 **Response:**

15 The calculation of the value of cost mitigation activities in the GSMIP does not change due to
16 market events such as the Enbridge T-South pipeline rupture. Please refer to FEI's response to
17 BCUC IR 1.1.3 for discussion of why the impact of single events cannot be isolated.

18 The purpose of the GSMIP is to provide an incentive for FEI to find and undertake mitigation
19 activities in all market conditions. The GSMIP has been successful in this regard as discussed
20 in section 4 of the Application.

21

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1
2 2.1.1 Please provide the approximate cost mitigation value of FEI holding
3 additional transportation capacity and transportation capacity over the
4 previous 3 years.

5
6 **Response:**

7 Since November 1, 2014 FEI has held additional T-South capacity as approved in its ACP.
8 Specifically, FEI captured an opportunity to contract approximately 40 TJ/day of additional
9 capacity for organic customer growth and for the potential return of Transportation Service
10 model customers to Bundled Service, as well as approximately 35 TJ/day of additional capacity
11 for Tilbury 1A liquefaction purposes and Rate Schedule 46 requirements. This capacity has
12 provided value to customers as shown in the table below, while helping to meet the objectives of
13 the ACP.

14 The following table provides the estimated cost to FEI for holding this additional capacity, and
15 the mitigation revenue generated for the corresponding volumes and timeframes over the gas
16 years 2015/16 through 2017/18.

Estimated FEI Cost for Additional T-South Capacity				
2015/16	\$0.322/GJ (FEI Tolling Cost)	67,000 GJ/day (Volume)	365 (Days)	\$7.9 million (FEI's Cost)
2016/17	\$0.314/GJ (FEI Tolling Cost)	40,000 GJ/day (Volume)	365 (Days)	\$4.6 million (FEI's Cost)
2017/18	\$0.375/GJ (FEI Tolling Cost)	35,000 GJ/day (Volume)	365 (Days)	\$4.8 million (FEI's Cost)
FEI's Cost to Holding Excess Transportation Capacity				\$17.3 million
FEI's Mitigation of Additional T-South Capacity				
2015/16	\$0.415/GJ (Mitigation Value)	67,000 GJ/day (Volume)	365 (Days)	\$10.1 million (Mitigation Revenue)
2016/17	\$0.39/GJ (Mitigation Value)	40,000 GJ/day (Volume)	365 (Days)	\$5.7 million (Mitigation Revenue)
2017/18	\$0.72/GJ (Mitigation Value)	35,000 GJ/day (Volume)	365 (Days)	\$9.2 million (Mitigation Revenue)
Approximate Value for Holding Excess Transportation Capacity				\$25 million
Approximate Net Benefit to FEI's Midstream				\$7.7 million

17
18 For the 2015/16 gas year, FEI mitigated 67 TJ/day of the additional capacity as the Tilbury 1A
19 facility was not forecasted to be operational. For 2016/17 and 2017/18 gas years, FEI mitigated
20 40 TJ/day and 35 TJ/day, respectively, of the additional capacity. The total capacity decreased
21 as the Tilbury 1A facility was forecast to come online in the 2016/17 gas year, meaning FEI was
22 required to meet liquefaction requirements in addition to the forecast organic customer growth
23 under the ACP. The remaining capacity was made available for short term, temporary release to
24 FEI's Transportation Service model customers.



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1 The mitigation revenue shown in the table above was not included in GSMIP calculations during
2 any of the gas years 2015/16 through 2017/18. Rather, it was allocated directly to MCRA for
3 the benefit of ratepayers. T-South Forward Capacity Release mitigation activities, as captured in
4 GSMIP, are based on firm transportation capacity held to serve firm core load requirements as
5 prescribed in the ACP.

6 This is an example of how the ACP and GSMIP have worked together to provide innovative
7 benefits to customers on many fronts. It has provided customers with short-term benefits in the
8 form of reduced gas rates, while helping to protect customers from potential changes in market
9 conditions.

10
11

12

13 2.2 Please explain how FEI calculates the Forward Capacity Release revenue.

14

15 **Response:**

16 The 2016-2019 GSMIP Term Sheet, under Section C (Transaction Descriptions – Benchmarked
17 Activities), sub-section 3 (Capacity Release Mitigation), describes how the Forward Capacity
18 Release revenue is calculated, as follows:

19 Capacity Release Mitigation Revenue is calculated for each transaction as the
20 total amount of revenue received for release of the capacity, as shown below:

*Actual Capacity Release Volumes * Actual Capacity Release Prices*

equals

Spot or Forward Capacity Release Mitigation Revenue

21

22 Section C, subsection 3 of the 2019 GSMIP Term Sheet explains that FEI will mitigate
23 transportation capacity by entering into Capacity Release transactions, whereby FEI releases
24 capacity to a third party who then pays FEI for the right to use its transportation capacity. In a
25 Capacity Release transaction, FEI is not responsible for any variable costs when a third party
26 uses the transportation capacity. The Capacity Release transactions could be a spot market
27 transaction or a forward market transaction. Capacity Release transactions are conducted on
28 Westcoast T-South, Foothills and NOVA.

29

30

31

32 2.3 Please explain how FEI generates revenue from its Forward Capacity Release
33 mitigation activity.

34



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1 **Response:**

2 Please refer to the response to BCUC IR 1.2.2.

3
4

5

6 2.3.1 Please confirm that revenues generated by the Forward Capacity
7 Release mitigation activity relate to T-North, T-South and NOVA
8 capacities released to shippers.

9

10 **Response:**

11 The GSMIP revenues generated by Forward Capacity Release mitigation activity, as reflected in
12 the table shown in the preamble, relate to T-South and NOVA/FoothillsBC capacity releases.

13
14

15

16 2.3.2 If not confirmed, please provide all sources of Forward Capacity
17 Release revenue.

18

19 **Response:**

20 Please refer to the response to BCUC IR 1.2.3.1.

21
22

23

24 2.4 Please confirm, or explain otherwise, that FEI contracts this capacity pursuant to
25 its Annual Contracting Plan.

26

27 **Response:**

28 FEI confirms that all Capacity Release mitigation relates to firm transportation capacity
29 contracted pursuant to the Annual Contracting Plan.

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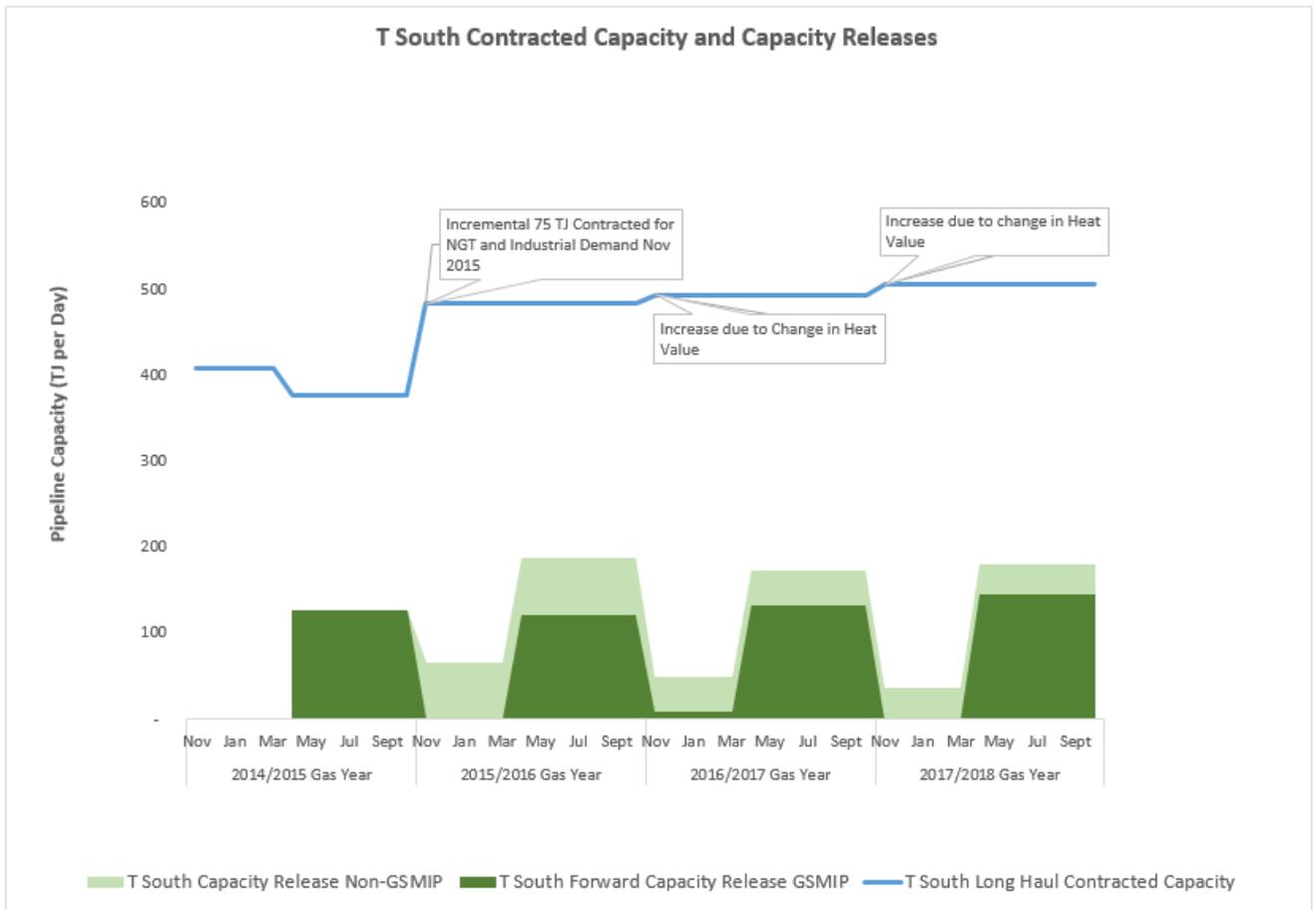
33

34 2.5 Please provide a graph clearly showing the monthly capacity and the monthly
35 volume of excess, unutilized capacity FEI has had on each pipeline identified in

1 FEI's response to the above between 2014/15 and 2017/18 which was released
 2 to other shippers.
 3

4 **Response:**

5 The graph below shows contracted T-South Capacity and the amount of excess capacity FEI
 6 has mitigated using GSMIP and non-GSMIP activities.



7
 8
 9
 10
 11 2.5.1 Please discuss the factors that caused an increase of approximately \$6
 12 million in forward capacity release between 2016/17 and 2017/18.
 13

14 **Response:**

15 The increase in forward capacity release revenue of approximately \$6 million between 2016/17
 16 and 2017/18 was primarily due to the continued oversupply of production at Station 2 and
 17 constrained pipeline capacity.



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1 Pipeline capacity on the Westcoast T-South and TCPL NOVA/FoothillsBC paths was reduced
2 due to planned and unplanned maintenance. These factors create strong price differentials
3 between the supply and demand markets, both Station 2 to Sumas and AECO/NIT to
4 Kingsgate.

5 The forward capacity release mitigation deals that were transacted for the 2017/18 gas year,
6 were transacted in early 2017 and early 2018 when there was uncertainty in the marketplace as
7 to the future levels of maintenance on each pipeline path, which influenced the forward curve at
8 the time of the transactions. This uncertainty created value between Stn2/AECO and
9 Sumas/Kingsgate, which FEI was able to lock in with counterparties.

10
11

12

13 2.6 Please confirm, or otherwise explain, that commodity resale can only occur when
14 surplus supply has been purchased in excess of core load demand.

15

16 **Response:**

17 Confirmed. Commodity Resale transactions only occur when supply is in excess of what is
18 needed to meet firm core load requirements.

19

20

21

22 2.6.1 Please discuss the factors which caused the commodity resale revenue
23 to increase increased approximately \$8 million between 2016/17 and
24 2017/18.

25

26 **Response:**

27 The increase in Commodity Resale revenue of approximately \$8 million between 2016/17 and
28 2017/18 was primarily due to an increase in volume and stronger price differentials in 2017/18
29 as compared to 2016/17.

30 The volume available to generate Commodity Resale revenue varies from year to year, as FEI
31 undertakes Commodity Resale mitigation activities throughout the gas year and only once firm
32 core load requirements have been met for the current and next gas day. In 2017/2018, FEI
33 generated Commodity Resale revenue on 18.3 PJ, compared to 15.8 PJ in 2016/17.

34 The increase in Commodity Resale revenue of approximately \$8 million between 2016/17 and
35 2017/18 was also due to price and, more specifically, stronger price differentials between the
36 supply and demand markets in 2017/18. The stronger price differentials in 2017/18 were due to
37 the continued oversupply of production at Station 2 and the constrained pipeline capacity.



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1 Commodity Resale activities are benchmarked against the Sumas and Kingsgate Gas Daily
2 Price, with a deemed purchase at Station 2 and AECO/NIT, respectively. Pipeline capacity on
3 the Westcoast T-South and TCPL NOVA/FoothillsBC paths was reduced due to both planned
4 and unplanned maintenance. A lack of egress for gas to move out of the supply basin (Station 2
5 and AECO/NIT) put downward pressure on price, while pipeline capacity constraints upstream
6 of the demand centre (Sumas and Kingsgate) put upward pressure on price. These factors
7 create strong price differentials between the supply and demand markets, both Station 2 to
8 Sumas and AECO/NIT to Kingsgate, in 2017/18 compared to 2016/17.

9 Other factors which have influenced Commodity Resale revenue over each respective gas year
10 include: above or below normal seasonal temperature and weather conditions and duration;
11 downstream storage inventory levels; downstream planned and unplanned pipeline
12 maintenance; power generation demands in the Pacific Northwest; price discounts or premiums
13 to competing supply markets; etc.

14
15

16

17 2.6.2 Please explain how this revenue is related to the forward capacity
18 release.

19

20 **Response:**

21 Commodity Resale mitigation activities and revenue are not related to Forward Capacity
22 Release mitigation activities and revenue. Commodity Resale transactions only occur when
23 supply is in excess of what is needed to meet firm core load requirements. Forward Capacity
24 Release transactions are undertaken to mitigate firm transportation capacity during the summer
25 months when Firm Core Load requirements are low, between April 1 and October 31 of each
26 respective gas year.

27

28

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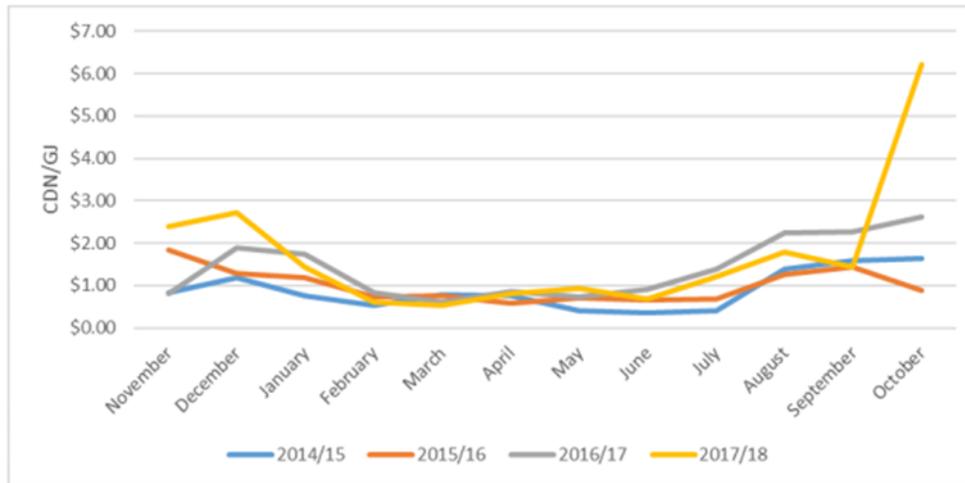
30 On page 8 of the Application, FEI states:

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

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

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Figure 8: T-South Value Comparison



1

2

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.

3

4

5

6 **Response:**

7

The graphs below show that FEI's capacity utilization is consistently higher than pipeline utilization as shown by the blue line below. FEI's capacity rate is close to 100 percent and on some days even higher when interruptible service is authorized and market conditions exist that the cost of flowing Interruptible service allows recovery over and above the costs for ratepayers. This demonstrates that FEI is diligent in mitigating any excess capacity that is not required to meet load on a given day.

8

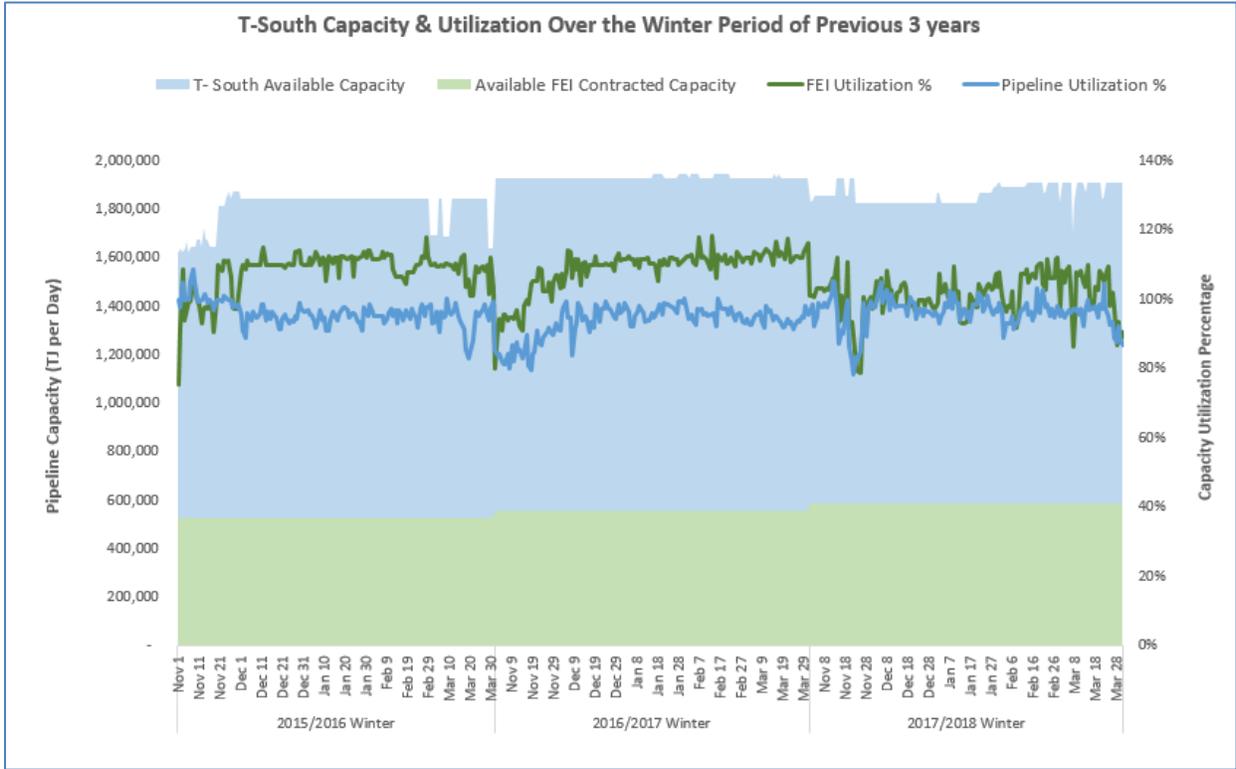
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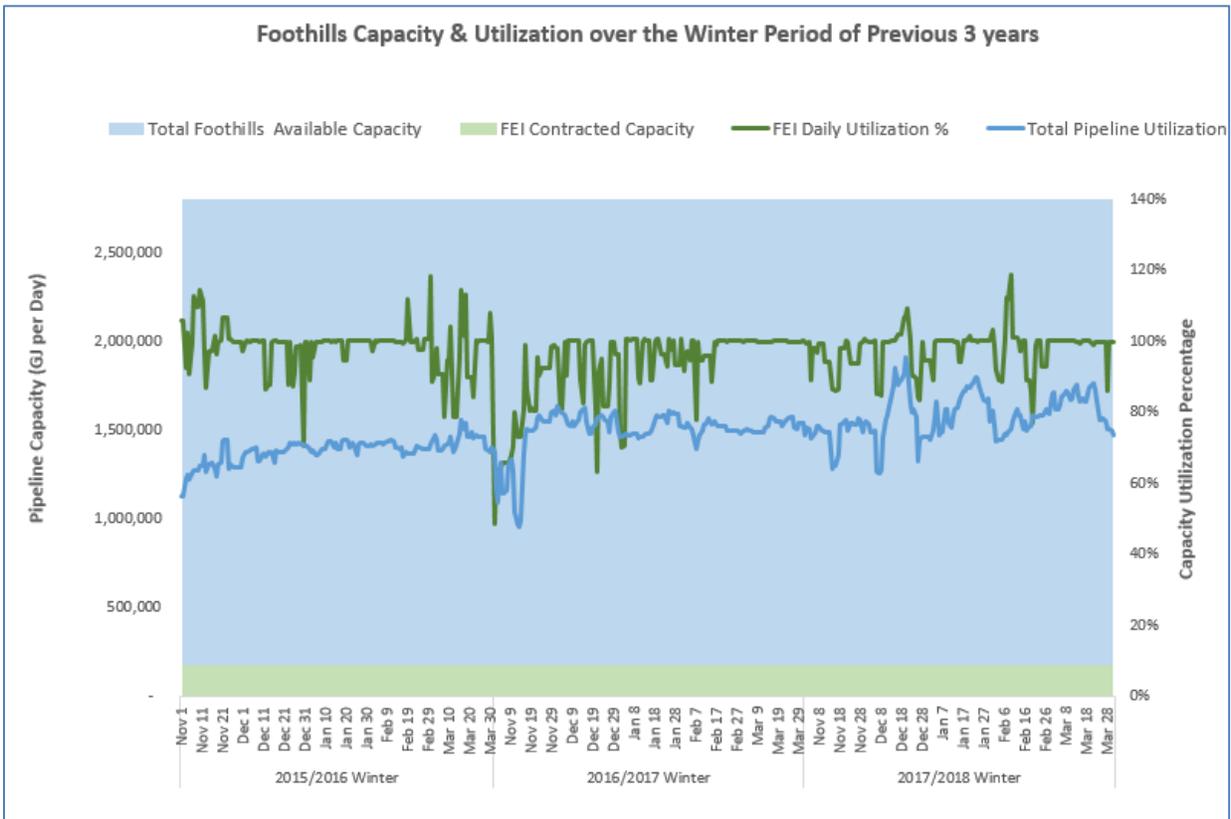
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1



2

Capacity Factors								
	FEI Westcoast		Westcoast		FEI Foothills		TCPL Foothills	
	Nov to Mar	Apr to Oct	Nov to Mar	Apr to Oct	Nov to Mar	Apr to Oct	Nov to Mar	Apr to Oct
2017/18 Average	101% ⁽¹⁾	88%	96%	84%	98%	114% ⁽²⁾	79%	83%
2016/17 Average	109% ⁽³⁾	87%	94%	77%	99%	112% ⁽⁴⁾	70%	73%
2015/16 Average	109% ⁽⁵⁾	94%	97%	77%	99%	112% ⁽⁶⁾	70%	73%
2014/15 Average	102% ⁽⁷⁾	95%	89%	90%	96%	119% ⁽⁸⁾	66%	67%

Notes:

1. In 2017/18 Winter, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Westcoast capacity, as well as 1% of interruptible capacity.

2. In 2017/18 Summer, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Foothills capacity, as well as 14% of interruptible capacity.

3. In 2016/17 Winter, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Westcoast capacity, as well as 9% of interruptible capacity.

4. In 2016/17 Summer, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Foothills capacity, as well as 12% of interruptible capacity.

5. In 2015/16 Winter, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Westcoast capacity, as well as 9% of interruptible capacity.

6. In 2015/16 Summer, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Westcoast capacity, as well as 12% of interruptible capacity.

7. In 2014/15 Winter, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Foothills capacity, as well as 2% of interruptible capacity.

8. In 2014/15 Summer, FEI was able to generate cost recovery revenue by mitigating 100% of our contracted Foothills capacity, as well as 19% of interruptible capacity.

2.7.2 Please discuss how this capacity factor was calculated and provide any assumptions made.

Response:

Please refer to the response to BCUC IR 1.2.7.1.

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.

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1 **Response:**

2 The T-South Value Comparison represents the per gigajoule (CDN\$) market value, net of
 3 variable costs, to transport natural gas from Station 2 to Sumas/Huntingdon. The comparison
 4 uses price benchmarks based on the Platts Gas Daily settlement at each location.

5 When calculating T-South Value, FEI does not reference the demand charges (tolls). Firm
 6 transportation capacity, as set out in the ACP, is required to serve the load of Core Customers
 7 (Rate Schedules 1-7 and 46). Demand charges are a cost that has already been incurred as a
 8 result of contracting for firm transportation capacity. Therefore, FEI looks at the full value of T-
 9 South recoveries net of variable costs (i.e., Fuel, MFT, CT)

10 An example calculation is provided below:

Station 2 Price	\$	1.00	Cdn/GJ
T-South Fuel - 3%		(0.03)	
Motor Fuel Tax and Carbon Tax		(0.11)	
Landed Price at Hunt	\$	0.86	Cdn/GJ
	\$	1.09	US/MMbtu
 Market Price at Hunt	\$	2.00	US/MMbtu
 Value of T-South	\$	0.91	US/MMbtu
 **Value of T-South	\$	0.72	Cdn/GJ

** this represents the T-South Value net of variable costs
as represented in the graph

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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.



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1 **Response:**

2 FEI considered and addressed how transportation constraints affect FEI's ability to provide
3 service to its customers in its ACP, in which FEI sets out its plan to secure the appropriate
4 commodity supply, storage and transportation capacity resources to meet the firm core load
5 requirements. FEI continually optimizes the resources in its natural gas portfolio in order to meet
6 customer demand, balance the system and achieve operational efficiency based on the day-to-
7 day conditions. Mitigation activities are undertaken only once FEI meets its firm core load
8 requirements.

9 FEI cannot quantify the impact of the transportation constraints on FEI's ability to generate
10 mitigation revenue. Transportation capacity constraints are one variable that can affect regional
11 market dynamics, pricing and the supply / demand balance, when FEI undertakes both near-
12 term and longer-term mitigation activities. Other variables include: seasonal weather and
13 temperatures across Western North America; planned and unplanned storage facility outages;
14 regional precipitation, snowpack and water reservoir levels; power markets; storage inventory
15 levels; market reports; conservation messaging; and the impacts of both physical and financial
16 gas supply management by regional operators and shipper agents. FEI's mitigation activities
17 which can be impacted by these variables include Transportation, Commodity Resale and
18 Forward Capacity Releases.

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22 2.9.1 Please discuss the effects, if any, customers switching from the
23 Transportation service to FEI's bundled service will have on FEI's ability
24 to provide service in the event of further constraints on T-south.

25

26 **Response:**

27 Customers switching from Transportation Service to Bundled Service will not affect FEI's ability
28 to provide service in the event of further constraints on T-South, as FEI's contracting strategies
29 for the 2019/20 ACP mitigate the risks pertaining to the Transportation Service customers
30 returning to the Bundled Service and the potential constraints on T-South continuing into the
31 near future. FEI's strategies included requesting that Transportation Service customers provide
32 earlier notice of their intention to return to Bundled Service to allow FEI to have an early
33 indication of the potential supply volumes that would be required. The ACP also included a
34 portfolio approach based on two scenarios - one with T-South operating at 85 percent and
35 another with T-South operating at 100 percent of its normal pressure.

36 Further, in light of the T-South incident, FEI will be taking into account future supply disruptions
37 in its contracting strategies for the ACP. FEI expects future ACPs will include purchasing excess



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1 resources (supply, LNG, and/or pipeline capacity) above the current load forecast for Core
2 customers (i.e., contingency resources).¹

3 FEI notes that it anticipated the return to Bundled Service of Transportation Service model
4 customers and took action by securing additional T-South transportation capacity well before
5 the Enbridge T-South pipeline rupture. This increase in T-South transportation capacity also
6 helped FEI manage the impacts of the pipeline rupture.

7

¹ FEI's 2019/20 ACP – Executive Summary. "Section 1.2 WEI's T-South Incident."

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1 **B. GSMIP UPDATES**

2 **3.0 Reference: GSMIP UPDATES AND TERM**

3 **Exhibit B-1, Section 5, p. 20**

4 **Energy Trade and Risk Management Systems Replacement**

5 On page 20 of the Application, FEI states:

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

14 3.1 Please discuss whether the roll-out of the ETRM systems replacement would be
15 an appropriate time for a comprehensive BCUC review of GSMIP.

16
17 **Response:**

18 FEI believes that the current GSMIP model is working as intended, based on the efforts and
19 design of the 2011 Working Group. Until such time as the mechanism is no longer working, or
20 the objectives of the GSMIP are not being met, FEI does not believe a comprehensive review is
21 required.

22 FEI's ETRM system replacement project will introduce a new software application to replace the
23 current one which has reached the end of its useful life. Within the Gas Supply group, this type
24 of application provides front to back-office support including deal capture and price
25 management, scheduling, position and risk management and reporting, as well as accounting
26 and settlement.

27 Therefore, FEI does not believe the ETRM replacement is a catalyst for a comprehensive BCUC
28 review of GSMIP.

29
30

31
32 3.1.1 If FEI does not find this to be an appropriate time, please discuss a
33 preferred timeframe for a comprehensive review of GSMIP.

34
35 **Response:**

36 Please refer to the response to BCUC IR 1.3.1.



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

Response:

As noted in the response to BCUC IR 1.3.1, FEI believes that a comprehensive review of the GSMIP should be undertaken when the GSMIP is not working and/or the objectives of the program are not being met. FEI believes the GSMIP is working as intended and the objectives of the program are being met. As such, FEI does not currently anticipate filing an application related to a comprehensive review of the GSMIP.

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

Response:

Please refer to the response to BCUC IR 1.3.2.