



IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by BC Gas Utility Ltd.
for Approval of Cost Allocation for the Southern Crossing Pipeline

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Deputy Chair)
B.L. Clemenhagen, Commissioner) July 27, 2000
K.L. Hall, Commissioner)
N.F. Nicholls, Commissioner)

O R D E R

WHEREAS:

- A. On April 3, 2000, BC Gas Utility Ltd. ("BC Gas") applied to the Commission for approval of the allocation of costs arising from the Southern Crossing Pipeline ("SCP") project ("the Application"). BC Gas sought the requisite authorization and orders from the Commission to implement rates as proposed in the Application, effective January 1, 2001; and
- B. BC Gas proposed that the Application be Phase I of a two-phase process. Phase I would establish a cost allocation method for the incremental SCP cost of service and determine the proportion of SCP costs to be recovered in the delivery margin. BC Gas proposes that broader rate design issues such as the absolute and relative level of rates and rate structures, revenue to cost ratios, and modifications to its terms and conditions of service would be addressed in a second rate design application to be filed in early 2001; and
- C. On April 14, 2000, the Commission, by Order No. G-42-00, established a Workshop and Pre-hearing Conference on May 10, 2000 to address procedural matters including the scope of the Application, the process for reviewing the Application and the timing of the review; and
- D. On May 19, 2000, by Order No. G-53-00, the Commission established a two-part process for dealing with BC Gas' Phase I Application. The Part 1 proceeding was to deal with third-party access to SCP capacity and the related issue of what proportion of SCP costs would be placed into the delivery margin versus commodity cost of customer bills. The Part 1 process consisted of a Negotiated Settlement Process ("NSP") commencing June 27, 2000. The Part 2 proceeding was to deal with the allocation of SCP costs among customer classes and the integration of SCP costs into BC Gas' rate schedules. The Part 2 proceeding was scheduled to proceed by Oral Public Hearing commencing September 18, 2000; and
- E. The Part 1 NSP participants reached a Settlement Agreement Proposal; and
- F. In a letter dated July 19, 2000, Commission staff circulated the Settlement Agreement Proposal to BC Gas and all Intervenor and Interested Parties registered with the Commission with respect to the Application; and
- G. The Commission has considered the Settlement Agreement Proposal, the Application, the letters of endorsement, and other submissions related to the Application; and

H. The Commission finds that the Settlement Agreement Proposal meets the objectives of the Part 1 process and is in the public interest, subject to minor wording changes.

NOW THEREFORE the Commission approves for BC Gas the Settlement Agreement attached as Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 4th day of August 2000.

BY ORDER

Original Signed by:

Lorna Barr
Deputy Chair

Attachment

SETTLEMENT AGREEMENT

BC Gas Utility Ltd. (“BC Gas”, “Utility”)
the Cost Allocation for the Southern Crossing Pipeline (“SCP”) Project
Part 1 – Access to Capacity

The Parties agree with the principle set out in the Commission’s May 21, 1999 Decision that all customers who benefit from SCP, directly or indirectly, will contribute to its cost in proportion to the benefits they receive.

The Parties acknowledge that based on operating experience the terms and conditions of the service discussed in this document will be subject to review and modification prior to the next contract year beginning November 2001.

1.0 ACCESS

The Parties agree that all non-bypass and non-special contract firm sales and transportation customers, except those customers in the Fort Nelson Service Area and those in the Columbia Service Area transporting gas under Rate Schedule 22B, should have comparable access to the receipt capacity made available at the East Kootenay Exchange (“EKE”) which is not contracted to British Columbia Hydro and Power Authority (“B.C. Hydro”) and PG&E Energy Trading, Canada Corporation (“PG&E”) and to the peaking gas supply available from B.C. Hydro and PG&E.

1.1 15-Day Peaking Supply

Transportation customers will share pro rata in the access to peaking supply made available by SCP, as set out in the increased draft tolerance approach described in Option 4 of the Response to BCUC Staff Information Request No. 1.2 and amended so that:

draft tolerance will be expressed as a percentage of the customer’s Daily Transportation Quantity (DTQ);

ordering any amount of 15-day peaking supply for a day will count as one of the 15 days available to a customer;

for prior day notices of curtailment, a customer will have until one hour before the evening nomination cycle to nominate for 15-day peaking supplies for the next day. In the event BC Gas places a customer on curtailment during a gas day, the customer will have one hour after receiving the curtailment notice to nominate for 15-day peaking supplies for the day, subject to BC Gas having usable nomination cycles remaining on interconnecting pipelines. Nominations received after the last usable nomination cycle will be provided on an as available basis. Furthermore, intra-day nominations for draft tolerances will be subject to elapsed pro-rata apportioning of volumes consistent with interconnecting pipelines. On days other than curtailment days, nominations of 15-day peaking supply will be made on the same basis as the regular BC Gas nomination schedule;

as a result of ordering 15-day peaking supply, a customer will be treated in a manner consistent with existing provisions relating to transport charges. In the same manner as balancing gas is delivered, the 15-day peaking gas will be delivered to the Interconnection Point and the aggregate quantities consumed will form part of a customer’s monthly transport volume for purposes of calculating transport charges. BC Gas will ensure that the 15-day peaking supply is available for use at a customer’s delivery point irrespective of a customer’s DTQ;

the 15-day peaking supply will be considered to be the last gas ordered and taken during the day by the customer; and if 15-day peaking supplies are ordered and not used, a customer has the option of electing the unutilized 15-day peaking supplies that are nominated and not used be treated as draft return of the 15-day peaking supply ordered for that day. BC Gas will endeavor to provide a customer electing to use their draft tolerance with a transportation record within two business days of electing to utilize one of their 15 days of peaking – this will assist a customer in deciding whether to return any unutilized draft inventory or to physically return gas to BC Gas;

the 15-day peaking supply will be returned to BC Gas within three business days with explicit indication of such return on the nomination.

The terms of this service will be detailed in the draft tariffs, the terms of which will be set in consultation with major stakeholders.

The increased draft tolerance is intended to provide access to transportation customers that is comparable to a pro rata share of the peaking supply available from B.C. Hydro and PG&E. In addition, transportation customers have the flexibility to order the increased draft tolerance at a time that is convenient to them. Sharing the peaking with transportation customers may require BC Gas to acquire more supply resources, but such additional amounts are expected to be very small as the Utility expects it may be able to use the SCP line pack to provide the 15-day peaking supplies. Also, to the extent individual customers order 15-day peaking supplies on different days, it will be easier for BC Gas to provide them.

The Parties acknowledge that SCP enables BC Gas to maintain for the present time its current BC Gas draft balancing tolerance of 20 percent for daily balanced large industrial customers and of monthly balancing for other transportation service customers.

1.2 Access to EKE Receipts for Redelivery to Customer's Facilities

BC Gas will offer access to SCP capacity to source gas at EKE to non-bypass and non-special contract firm transportation customers in the Inland Service Area. Transportation customers will be entitled to access firm 365 day capacity on SCP from EKE on a pro-rata basis with sales customers, determined by peak day usage in the Inland Service Area.

The total capacity available to transportation and sales customers will be determined by comparing the portion of peak day quantity of all eligible customers to the total Inland Service Area non-bypass peak day load multiplied by the capacity available at the system constraint point north of Oliver.

Transportation customers will further be entitled to nominate for capacity on SCP from EKE on an interruptible basis to a maximum level determined by BC Gas taking into account system delivery constraints and the pro-rata entitlement to interruptible capacity of transportation customers as a portion of total volume, including firm sales customers and firm non-bypass transportation customers in the Lower Mainland Service Area.

Customers will be responsible for the incremental costs associated with transportation on Westcoast from the Inland Service Area to the Lower Mainland Service Area.

Transportation customers may not nominate interruptible volumes on SCP from EKE which exceed their DTQ less their elected volume of firm capacity on SCP from EKE.

In the event that BC Gas receives nominations for interruptible transportation capacity that exceeds the available capacity, BC Gas will apportion the available capacity on the basis of nominated interruptible volumes.

On days determined by BC Gas to be peak days, transportation customers must flow the portion of the firm capacity contracted to be received from Westcoast and not replace such volumes with EKE sourced supply.

BC Gas will offer access to SCP capacity to source gas at EKE to non-bypass and non-special contract firm transportation customers in the Lower Mainland Service Area.

Transportation customers will be entitled to nominate for capacity on SCP from EKE on an interruptible basis to a maximum level determined by BC Gas taking into account system delivery constraints and the pro-rata entitlement to interruptible capacity of transportation customers as a portion of total volume, including firm sales customers and firm non-bypass transportation customers in the Inland Service Area. These customers will be responsible for the incremental costs associated with transportation on Westcoast from the Inland Service Area to the Lower Mainland Service Area.

Transportation customers may not nominate interruptible volumes on SCP from EKE which exceed their DTQ.

1.3 Use of SCP for Other Purposes (e.g., West to East)

BC Gas will offer eligible non-bypass and non-special contract firm transportation customers access to SCP capacity to transport gas from the Westcoast system to EKE.

Capacity will be available in the proportion of eligible customer's peak day load to the total peak day load of both firm sales and transportation customers.

BC Gas will charge all users of this transportation service an incremental charge, based on market pricing, to be determined by formula.

All revenues, less those associated with any incentives approved by the BCUC in subsequent Decisions, collected from transportation movements on SCP from the Westcoast system to EKE, including revenues collected from movements of gas supply on behalf of sales customers, will be credited back to the delivery margin of eligible customers.

Utilizing DTQ's as the pro-rationing mechanism may require a consistent methodology for setting DTQ's for Rate 23 and Rate 25 customers. BC Gas recommends that the Daily Demand as described under rate schedule 25 be the basis for establishing the DTQ.

BC Gas will file Tariffs reflecting the above terms of access to SCP capacity for eligible firm transportation customers, and other points contained in BC Gas' response to BCUC Staff Information Request 1.2, by July 31, 2000.

Access arrangements will be reviewed after one winter, including a comparison of costs to core customers and value of returned 15-day peaking supplies, so that arrangements can be modified as needed for 2001/02 gas year. BC Gas will file a report by June 1, 2001.

2.0 DELIVERY MARGIN VERSUS COMMODITY COST

The Parties agree that SCP costs are to be allocated to firm sales and transportation customers in proportion to the benefits received. In its Application, BC Gas proposed that all costs associated with SCP cost of service would be recovered through the delivery margin. The Parties recognize that the costs of all other BC Gas-owned transmission and peaking facilities are currently recovered in the delivery charge. There is no agreement as to whether this should continue following the full rate design for BC Gas that the Commission has directed to occur in 2001. However, until otherwise ordered by the Commission the Parties accept the recovery of the SCP cost of service through the BC Gas delivery margin.

The agreement to accept the recovery of SCP costs in the delivery margin of both firm sales and transportation service customers will not be used to prejudice any Party's submissions during a 2001 full rate design proceeding regarding the mechanism for recovery of costs of any BC Gas asset, in future. Similarly,

Parties' agreement to the recovery of SCP in the delivery margin of both firm sales and transportation service customers does not preclude any Party from advancing an alternate rate treatment at a future date.

3.0 INTERRUPTIBLE

Under this agreement, interruptible customers do not receive the capacity and balancing benefits associated with access to SCP received by firm customers. Accordingly, costs associated with those benefits have not been directly allocated to interruptible customers. BC Gas has proposed that the level of interruptible rates be increased in equal proportion as the increase in firm rates to maintain the existing relative level of discount from firm service.

Interruptible customers oppose any interruptible rate increase related to SCP since they will not have access to the 15-day peaking capacity provided to BC Gas by B.C. Hydro and PG&E and will not be in a position to benefit from increased tolerances provided to firm transportation customers on days of curtailment. All Parties agree that the interruptible customers retain the right to argue their position in the Part 2 Oral Public Hearing in September 2000 and the General Rate Design Proceeding in 2001.

4.0 FORT NELSON, RATE 22B, BY-PASS AND SPECIAL CONTRACT CUSTOMERS

BC Gas proposed in the Application that the rates paid by Fort Nelson Service Area customers, customers receiving service under Rate Schedule 22B, by-pass customers and special contract customers not be increased as a result of the SCP coming into service. All Parties agree that this proposal is accepted, and further agree that this acceptance will not be used to prejudice any Party's submissions during a 2001 full rate design proceeding.