



LETTER NO. L-59-97

ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

September 11, 1997

Mr. Gary James
Regional Manger
ECNG Inc.
702 - 626 West Pender Street
Vancouver, B.C.
V6B 1V9

Dear Mr. James:

Re: ECNG Inc. - Complaint
BC Gas AOR Charges to Schedule 27 Group

The Commission has reviewed your letter dated July 3, 1997 and BC Gas' response dated August 18, 1997 (attached), and determines that no changes are warranted with regard to the charge to the ECNG Schedule 27 transportation group for Authorized Over-Run ("AOR") gas in October, 1996.

In October 1996, the ECNG Schedule 27 group of customers consumed more gas than the amount that was received by BC Gas on their behalf, plus the credit in the group's imbalance account that was carried over from the previous month. The deficit of 1499 GJ was sold to the group by BC Gas as AOR gas at a net price of \$2.012/GJ. This sale of AOR gas to cover the deficit was in accordance with the monthly balancing terms of Rate Schedule 27 that were in effect at the time, and which largely continue to the present.

In its complaint, ECNG states that the deficiency in deliveries resulted because the month-to-date consumption and receipt information from BC Gas upon which it relied was late and inaccurate, and asked the Commission to direct BC Gas to waive the AOR charge. Since the ECNG group received gas for this payment, it would not be appropriate to waive the charge. However, the effect of ECNG's request would be to have the Commission direct BC Gas to reverse the payment and deduct the quantity of AOR gas from the group's imbalance account.

To review the question of timely information, BC Gas does not dispute that no month-to-date report was provided to ECNG on Thursday, October 24, 1996 or that the report which would normally have been received on October 28, 1996 was a day late. The Commission considers it unlikely that a report on October 24, 1996 would have alerted ECNG to the impending problem, but accepts that a report on October 28, 1996 may have permitted ECNG to take sufficient corrective action to avoid a debit imbalance. At the same time, there is no evidence that ECNG pro-actively sought this information from BC Gas.

The other issue is that the final consumption figures for the month to October 19 were 1800 GJ greater than the estimates in the month-to-date reports. BC Gas attributes this to one customer in the group which consumes about 2000 GJ per month, but who does not have automatic meter reading and whose usage is not included in the month-to-date estimates. The utility has permitted direct sales to the customer to proceed without proper metering, since the customer may soon be closing its operation. Apparently ECNG was fully aware of, and concurred with, this arrangement.

It is apparent that BC Gas was somewhat deficient with regard to its responsibility to provide timely and accurate information to transportation customers and groups, and their supply managers. (Rate Schedule 27 did not in October 1996 explicitly set out this responsibility, but the tariff now requires a twice-weekly month-to-date report.)

Nevertheless, ECNG as transportation group manager was responsible to provide daily nominations to BC Gas which were its best prospective estimate of gas consumption by its group of customers. This responsibility continues under the revised Schedule 27. Month-to-date reports are one important source of information, but a supply manager should also consider factors such as weather conditions and weekends which may change operations and consumption. Chart 1 in the BC Gas letter indicates greater attention should be given to estimating consumption.

Consequently, the Commission determines that the charge to the ECNG Schedule 27 group for AOR gas in October, 1996 was appropriate.

Yours truly,



Robert J. Pellatt

JBW/cms
Attachment

cc: Mr. David M. Masuhara, Vice President,
Legal and Regulatory Affairs
BC Gas Utility Ltd.

BC Gas Utility Ltd.

1111 West Georgia Street
Vancouver, British Columbia
Canada V6E 4M4

Tel (604) 443-6607
Fax (604) 443-6789

David M. Masuhara

Vice President
Legal & Regulatory Affairs
and Secretary



B.C. UTILITIES COMMISSION
RECEIVED & ACKNOWLEDGED

AUG 19 1997

August 18, 1997

☒ FOR STAFF REVIEW/RESPONSE
☒ FOR RESOURCE ROOM
☒ INFO. TO BE FILED

British Columbia Utilities Commission
Box 250
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: R. Pellatt

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Re: ECNG Complaint -- Schedule 27 AOR (Authorized Overrun Rate) Charges

To review, ECNG has made the following claims:

- 1) that ECNG has incurred AOR charges for their Schedule 27 group for the month of October 1996, and
- 2) that ECNG feels BC Gas has an obligation by way of its tariff to provide consumption data within a specified time frame, and
- 3) that BC Gas did not provide the information required in accordance with the approved tariff, and
- 4) ECNG should not be responsible for AOR charges that were, in their view, incurred as a consequence of BC Gas' failure to provide timely consumption information.

For general interest, the terms and conditions of Rate Schedule 27 were changed as a result of the 1996 Rate Design and new terms become effective November 1, 1996. For reference purposes, BC Gas has enclosed copies of Rate Schedule 27 and Agents Agreement that were in effect during October 1996. All references to applicable rate schedules and tariffs herein are with respect to the Schedule 27 attached in effect through October 31, 1996..

BC Gas acknowledges billing ECNG for AOR charges for the month of October 1996 for their Lower Mainland Schedule 27 group. These charges were levied as a result of the group of customers consuming more gas within the month than the combined total of their October starting inventory, which was about 12,500 GJ and their total gas deliveries for the month of October.

Under the Company's Rate Schedule 27, Section 6.2 asked that Shippers' Agents provide daily nominations at least 24 hours in advance of the gas day. It further requested that those nominations reflect the Agent's best estimate of the gas they actually expected would be used. Section 6.3 of the tariff permitted the Agent, subject to prior agreement with BC Gas, to issue nominations different from those related to forecast consumption in order to minimize month end balancing. In reviewing the sample t-records submitted by ECNG as part of their complaint, there appears to be little indication of ordering adjustments that try to adjust for weekend conditions or weather changes. Actual usage for the period October 1/96 to October 23/96 fluctuates from 177% to 64% of nominated amount as related to the nominated quantity. BC Gas has enclosed a graphical representation of the groups' nominating practice versus actual usage for the month.

Contrary to Section 6.2 of Schedule 27, BC Gas permits Agents, in the interests of operating flexibility and efficiency to issue nominations on a weekly basis. While at the time BC Gas had no formal obligation to provide consumption data, BC Gas did, and had for some time, provided such information in the form of transportation "worksheets". Such worksheets have always been considered general estimates only and were and still are subject to month end verification. These worksheets were usually sent to Agents twice per week, subject to work load, with the intent of providing Agents and customers with as much information as possible. It was not intended, nor encouraged, that these worksheets should form the sole basis upon which Agents relied to manage their group's nominations and should be used, at most, as one additional tool to help with the overall gas management process. In fact Schedule 27 small industrial worksheets, unlike those used for Schedule 22 daily balanced accounts, do not track day to day inventory levels. It is only at the end of each month that the final numbers are reconciled, hence the flexibility of, and the term "monthly balancing".

For Schedule 25/27 Small industrial transportation groups it is not uncommon to have within the group certain customers that have not had automatic meter reading (AMR) equipment installed. This occurs as a result of ongoing customer additions which often are new commercial customers not yet adequately equipped for daily metering. In the interests of flexibility, yet contrary to Section 3.1 of Schedule 27 which requires metering facilities to be in place prior to receiving transportation service, customer additions are normally permitted and made as quickly as possible at the Agent's request without AMR having been installed. When customers are added to groups without AMR, the daily metered data is downloaded to a handheld terminal at month end and included in the final t-record. The ECNG group in question in this complaint has one such customer. BC Gas has purposefully delayed

installation of AMR due to the reported "imminent" closure of the facility, a situation ECNG has acknowledged and been aware of for some time. The absence of this customer's consumption resulted in the daily discrepancy in the mid-month worksheets until the final t-record was issued. We have enclosed a copy of the historical record which lists each customer and the date of the customer joining ECNG Coastal group. It also indicates the date that AMR was installed.

In the Company's opinion, lack of information from BC Gas, whether through missing data or irregular T-record distribution, should not prevent Agents from providing nominations that, as required by the tariff, is the *best estimate of actual expected use*. In fact, on October 22, ECNG did increase its daily average nomination for the group, but only to compensate for decreased inventory levels, meanwhile the group consumption had increased significantly as a result of colder weather, but it does not appear this event was taken into account. Please see attached graphs showing ECNG Rate Schedule 27 group use versus temperature and temperature levels during October 1996. It clearly indicated a temperature linkage to usage for this group. The use of such historical analysis coupled with a near term weather forecast, as well as information from customers, should all be used to form the basis on which an Agent should prepare its nomination for a customer group. BC Gas believes it is reasonable to expect that ECNG should have been aware of the impending weather change and that this would likely affect the group's consumption and could have reacted accordingly. This does not appear to have been the case. As a consequence, all gas in inventory was used up leading to the need for AOR gas.

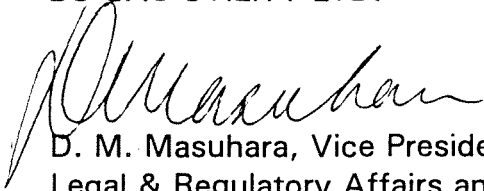
BC Gas is not able to "waive" AOR, since AOR represents gas actually consumed in lieu of the customer's own direct supply. AOR is charged out at the prevailing cost of gas to residential customers. This reflects both the cost and value of the gas to core market customers. Since AOR charges are normally at a premium to other supplies available to an Agent, the AOR rate acts as an incentive to have Agents nominate/purchase sufficient quantities of gas each month to meet the group's needs. BC Gas believes that with the very generous month balancing provisions in place, this is not an unreasonable nor unfair expectation.

In summary, BC Gas does not feel an adjustment to the AOR charges is warranted. In the Company's opinion, the delay in t-record distribution is an inadequate basis upon which to argue same. Such information was not strictly required to be provided and there were several other means by which ECNG could have managed the group's nominations and inventory levels to avoid AOR charges.

If you have any questions regarding this submission, please feel free to call Nick Caumanns at 443-6942 or Henry Dinter at 443-6491.

Yours truly,

BC GAS UTILITY LTD.

A handwritten signature in black ink, appearing to read "D. M. Masuhara", written over the printed name.

D. M. Masuhara, Vice President
Legal & Regulatory Affairs and Secretary

DMM/HLD/bjt

ECNG Rate 27 Group Oct 1996			
Customer	Date of AMR installed	Date Joined ECNG group	Notes
Customer A	29-Jan-93	1-Nov-95	
Customer B	5-Jan-94	1-Nov-95	
Customer C	28-Feb-94	1-Nov-95	
Customer D	21-Apr-94	1-Nov-95	
Customer E	27-Jun-94	1-Nov-95	
Customer F	13-Jul-94	1-Nov-95	
Customer G	18-Jul-94	1-Nov-95	
Customer H	5-Aug-94	1-Nov-95	
Customer I	18-Aug-94	1-Nov-95	
Customer J	20-Dec-94	1-Nov-95	
Customer K	10-Jan-95	1-Nov-95	
Customer L	27-Jan-95	1-Nov-95	
Customer M	5-Feb-95	1-Nov-95	
Customer N	7-Feb-95	1-Nov-95	
Customer O	25-Apr-95	1-Nov-95	
Customer P	9-Jun-95	1-Nov-95	
Customer Q	10-Aug-95	1-Nov-95	
Customer R	10-Oct-95	1-Nov-95	
Customer S	18-Mar-96	1-Nov-95	
Customer T	8-Jul-96	1-Nov-95	moved to new facility on that date
Customer U	N/A	1-Nov-95	facility to close

Chart1

ECNG Schedule 27 Group
Nomination and Usage for October 1996

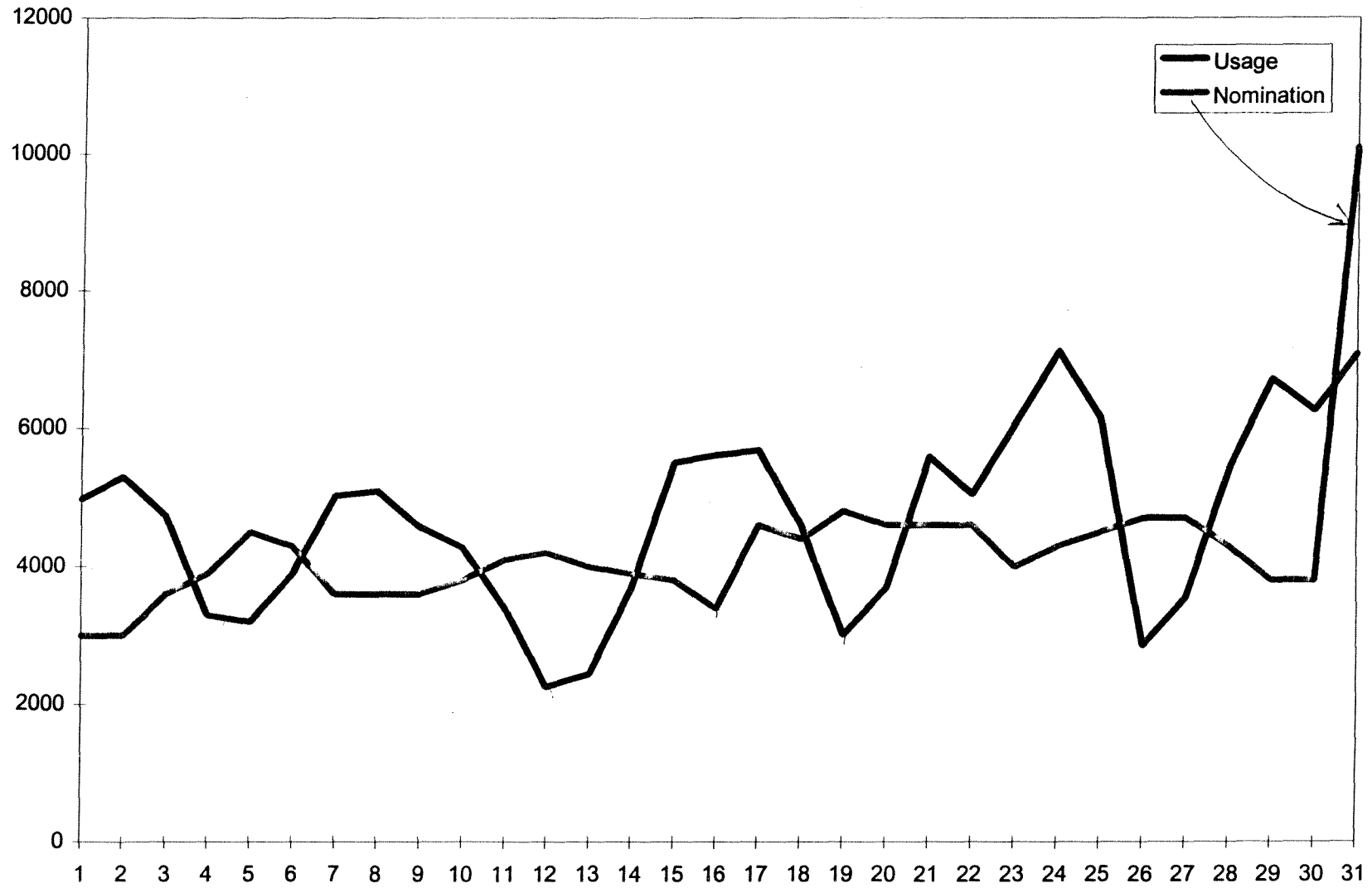


CHART 2

Temperature

Lower Mainland - Oct 1996

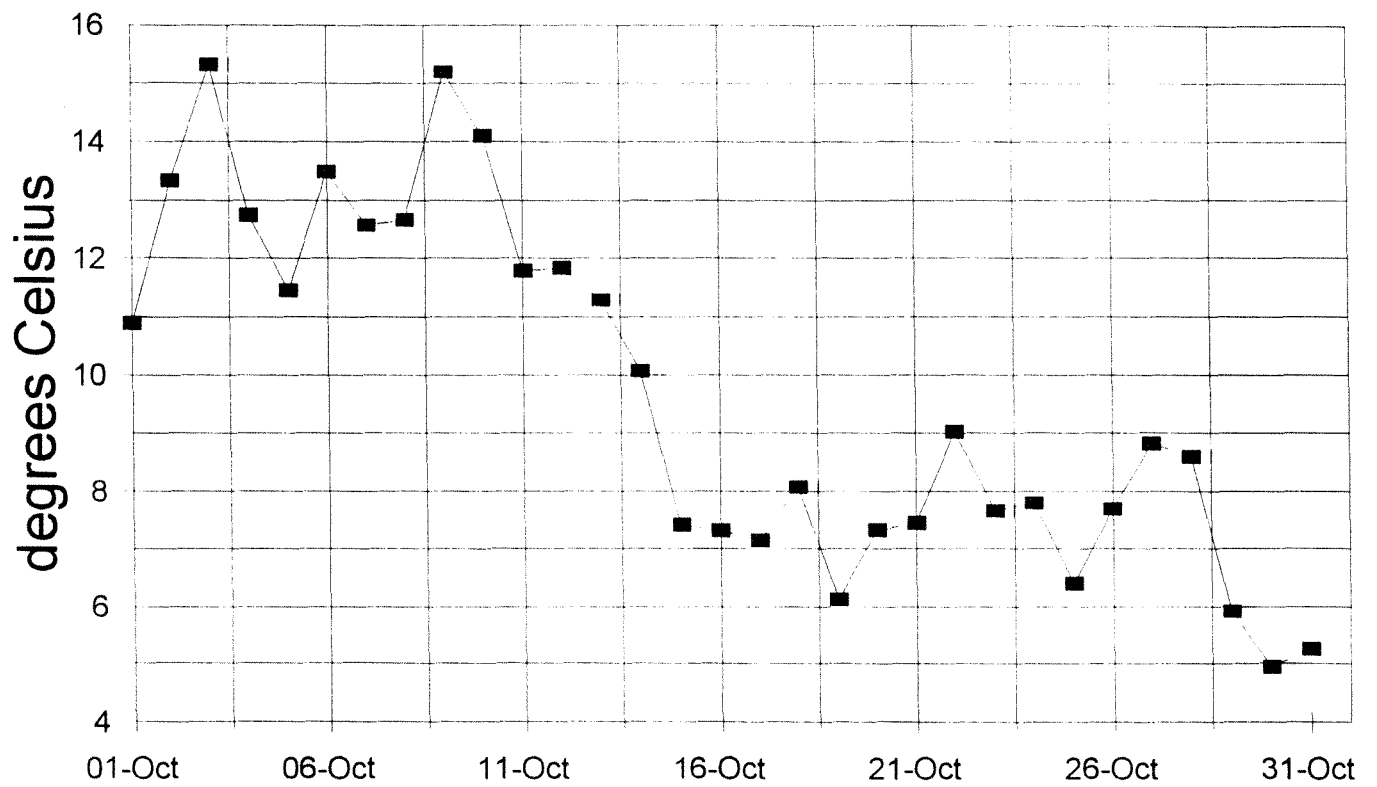


CHART 3

ECNG RS 27 Oct 96

Gj's vs average temp weekend only

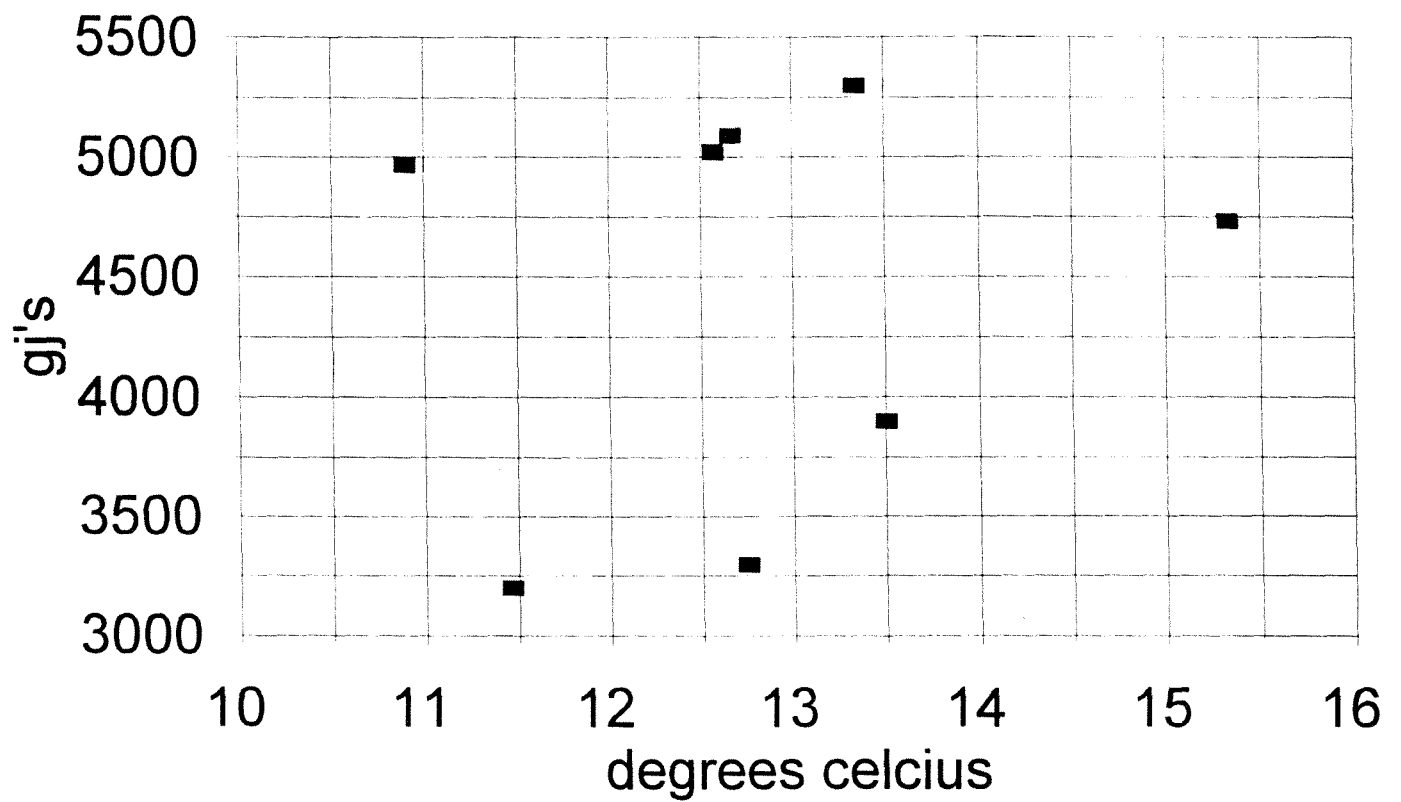


CHART 4

ECNG RS 27 Oct /96

gj use vs avg daily temp

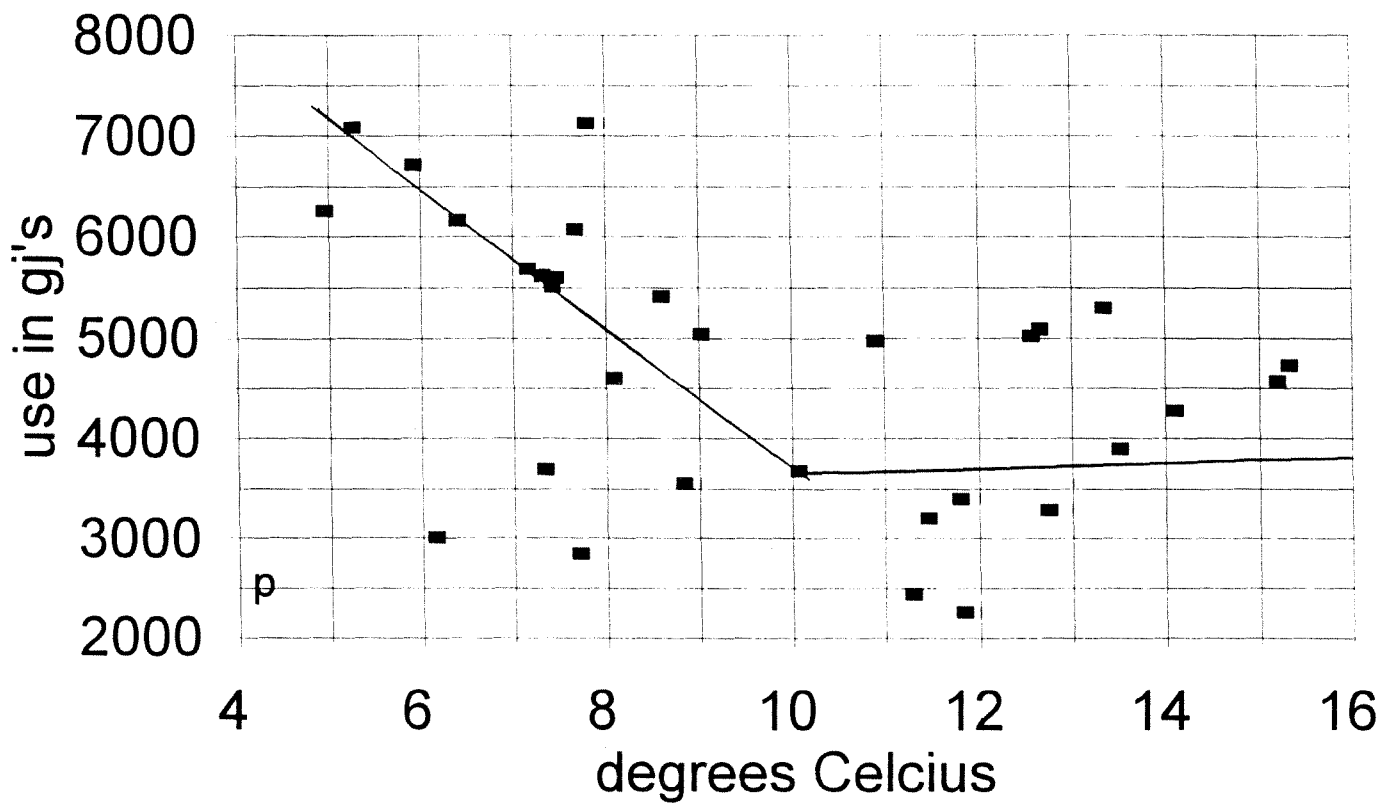


CHART 5

ECNG RS 27 Oct 96

gj vs avg temp weekdays only

