



National Energy Board

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## Reasons for Decision

**BC Gas Utility Ltd.**

**RH-2-98**

**March 1999**

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**Access and Tolls**

# National Energy Board

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## Reasons for Decision

In the Matter of

### **BC Gas Utility Ltd.**

Application dated 14 July 1998 for orders under sections 70 and 71 of the *National Energy Board Act* requiring Westcoast Energy Inc. to receive, transport and deliver gas from Kingsvale to Huntingdon, British Columbia, and prescribing terms and conditions, including tolls, for the service.

**RH-2-98**

**April 1999**

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## Abbreviations

ANG	Alberta Natural Gas
B.C.	British Columbia
BC Gas	BC Gas Utility Ltd.
BCOAP et al.	BC Old Age Pensioners' Organization et al.
BCUC	British Columbia Utilities Commission
CAPP	Canadian Association of Petroleum Producers
CanWest	CanWest Gas Supply Inc.
COFI et al.	Council of Forest Industries, Cominco Ltd. and Methanex Corporation
CPCN	Certificate of Public Convenience and Necessity
CRTC	Canadian Radio-Television and Telecommunications Commission
EUG	Export Users Group
MMcfd	million cubic feet per day
NEB or Board	National Energy Board
NEB Act	<i>National Energy Board Act</i>
NORPAC	Northwest Pacific Energy Marketing Inc.
PG&E Trading	PG&E Energy Trading, Canada Corporation
SCP	Southern Crossing Pipeline
T-North	Zone 3 Transportation North
T-South	Zone 4 Transportation South
TransCanada	TransCanada PipeLines Limited
Westcoast	Westcoast Energy Inc.

## Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* (NEB Act) and the Regulations made thereunder;  
and

IN THE MATTER OF an application dated 14 July 1998 by BC Gas Utility Ltd. for orders under sections 70 and 71 of the NEB Act requiring Westcoast Energy Inc. to receive, transport and deliver gas from Kingsvale to Huntingdon, British Columbia, and prescribing terms and conditions, including tolls, for the service; and

IN THE MATTER OF Hearing Order RH-2-98.

HEARD in Vancouver, British Columbia on 22 to 26 February 1999.

BEFORE:

J.A. Snider	Presiding Member
A. Côté-Verhaaf	Member
G. Caron	Member

APPEARANCES:

C.B. Johnson R.M. Lonergan	BC Gas Utility Ltd.
M.P. Doherty P. MacDonald	BC Old Age Pensioners' Organization, et al.
N.J. Schultz	Canadian Association of Petroleum Producers
R.B. Wallace J.C. Champion	Council of Forest Industries, Cominco Ltd. and Methanex Corporation
F.J. Weisberg	Export Users Group
R.W. Lusk, Q.C.	British Columbia Hydro and Power Authority
E.S. Decter	Northwest Pacific Energy Marketing Inc.
R. Cameron	Petro-Canada Oil and Gas
D.A. Holgate B. Grant	PG&E Energy Trading, Canada Corporation
J. Lutes R. Sirett	Westcoast Energy Inc.
L.A. Boychuk	Board Counsel

## Chapter 1

# Background and Application

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## 1.1 Background

BC Gas Utility Ltd. (BC Gas) operates two transmission systems in British Columbia (B.C.), the Interior Transmission System (Interior System) and the Coastal Transmission System (CTS) in the Lower Mainland. BC Gas's systems interconnect with the Westcoast Energy Inc. (Westcoast) system at a number of locations within Westcoast's Zone 4<sup>1</sup> and BC Gas receives natural gas in two delivery areas in that Zone, defined as the Inland Delivery Area and the Huntingdon Delivery Area. The Kingsvale delivery point is contained within the Inland Delivery Area.

BC Gas has requested a receipt point on the Westcoast system at Kingsvale because it proposes to deliver gas to Kingsvale for transportation to the Huntingdon Delivery Area. Volumes, up to 2 975 10<sup>3</sup>m<sup>3</sup> per day (105 MMcfd), would be delivered to Kingsvale via BC Gas's proposed Southern Crossing Pipeline (SCP) from Yahk, B.C. to Oliver, B.C. and then via the existing BC Gas Interior System from Oliver to Kingsvale.

On 30 May 1997, BC Gas applied to the British Columbia Utilities Commission (BCUC) for a Certificate of Public Convenience and Necessity (CPCN) to build the SCP. The SCP consists of a 310 km, 24-inch diameter pipeline, including compression facilities, extending from Yahk to Oliver at a cost of \$348.2 million in 1997 dollars. On 3 April 1998, following a 24-day hearing, the BCUC determined that the SCP was not the preferred resource option at that time and denied the SCP application. However, the BCUC noted that BC Gas may wish to reexamine the SCP and attempt to obtain commitments from British Columbia Hydro and Power Authority (BC Hydro) for capacity on the SCP which would make it a viable alternative.

On 22 May 1998, BC Gas entered the Open Season initiated by Westcoast for those shippers wishing to contract for firm Zone 3<sup>2</sup> and/or Zone 4 transportation service. BC Gas requested firm service from a new Kingsvale receipt point to the Huntingdon Delivery Area. On 3 June 1998, Westcoast refused to consider BC Gas's request and stated that it did not believe that BC Gas would have the ability to deliver gas to Westcoast at Kingsvale. Accordingly, Westcoast informed BC Gas that, in the absence of information concerning BC Gas's proposed supply source at Kingsvale, Westcoast did not intend to consider further BC Gas's request for Zone 4 expansion service from Kingsvale to Huntingdon.

On 3 June 1998, BC Gas initiated its own Open Season for its proposed SCP and received requests in excess of the 105 MMcfd that it had offered. Those requests resulted in agreements with BC Hydro and PG&E Energy Trading, Canada Corporation (PG&E Trading), with those parties becoming shippers on the SCP and providing firm commitments for SCP transportation revenue.

On 11 December 1998, BC Gas filed a revised application with the BCUC for a CPCN to construct and operate the SCP. The scope of the project was revised to include a compressor station located at Hedley, B.C. on the existing BC Gas Kingsvale to Oliver pipeline.

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<sup>1</sup> Also known as Transportation South or T-South

<sup>2</sup> Also known as Transportation North or T-North

## 1.2 Application

On 14 July 1998, BC Gas applied under sections 70 and 71 of the NEB Act for orders:

- (i) requiring Westcoast to establish a new receipt point at the interconnection of the Westcoast system and the BC Gas Interior System at Kingsvale;
- (ii) requiring Westcoast to receive, transport and deliver gas from Kingsvale to Huntingdon;
- (iii) requiring Westcoast to install adequate and suitable facilities to receive gas at Kingsvale and to transport and deliver the gas to Huntingdon; and
- (iv) prescribing the terms and conditions, including tolls, for the transportation of natural gas by Westcoast over the Kingsvale to Huntingdon portion of its Zone 4 pipeline.

BC Gas suggested that the tolls for the requested service reflect the volume distance-based toll methodology approved by the Board in the RH-6-85 Decision for Zone 4. BC Gas submitted that a just and reasonable toll for the service is a point-to-point toll reflective of the distance from Kingsvale to Huntingdon adjusted for volume. BC Gas also suggested that the Board consider the establishment of a similar point-to-point toll from Westcoast's Station 2 to the Kingsvale interconnection to allow shippers to use the bi-directional capability at Kingsvale to ship gas to downstream markets.

On 2 October 1998, the Board indicated that the section 71(3) aspect of BC Gas's application was not presently ripe for consideration. The Board, however, provided an opportunity for Westcoast and other potentially-interested persons to comment on the efficacy of conducting a separate process to consider the toll methodology issues related to the request for a point-to-point toll from Kingsvale to Huntingdon and from Station 2 to Kingsvale.

On 29 October 1998, after considering the comments of BC Gas and other interested parties, the Board indicated that it would hold an oral public hearing to consider the toll methodology issues raised in BC Gas's application.

On 20 November 1998, the Board issued Hearing Order RH-2-98 which set down those toll issues for a hearing commencing 22 February 1999 and established the Directions on Procedure and a List of Issues.

Following is the List of Issues which was identified for the hearing:

1. Assuming that BC Gas installs the facilities necessary to allow bi-directional flow at Kingsvale, the appropriate toll principles, toll methodology and terms and conditions that would apply for transportation service between:
  - (a) the Kingsvale receipt point and the Huntingdon delivery point; and
  - (b) Westcoast's Station 2 and the Kingsvale delivery point.
2. Whether it would be necessary and appropriate for the Board to issue an Order pursuant to subsection 71(2) requiring Westcoast to receive, transport and deliver gas from Kingsvale to Huntingdon and from Station 2 to Kingsvale.
3. Whether the addition of any potential facilities incremental to those assumed in Issue 1 (such as, for example, a proposed Southern Crossing Pipeline Project) should alter the toll principles, toll



methodology, and terms and conditions that might be approved for the services described above and, if so, to what extent.

In response to a request for information, BC Gas clarified that, in addition to the orders set out in its application, it was also seeking the following:

- An order which may be required for Westcoast to receive gas at Station 2 and to transport gas under a point-to-point toll to the new Kingsvale receipt/delivery point.
- In order to provide terms and conditions, including interruptible tolls, which parallel the above requests for firm service tolls.
- An order to remove Kingsvale from the Inland Delivery Area.
- An order restructuring the Inland Delivery Area toll to remove the volume/distance allocation units from the Inland Delivery Area toll calculation and to recalculate such toll to be charged for all other Inland Delivery Area deliveries except those to Kingsvale.
- An order to establish interruptible commodity tolls between the restructured Inland Delivery Area and the new Kingsvale receipt/delivery point.

The Board heard evidence in Vancouver, British Columbia from 22 to 25 February 1999 and final argument on 26 February 1999.

## Chapter 2

# Positions of the Parties

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### 2.1 BC Gas Utility Ltd.

BC Gas stated that the requested orders seek to require Westcoast to provide access to its pipeline facilities at Kingsvale and to transport gas to Huntingdon. BC Gas noted that there is no physical or operational reason that would prevent Kingsvale from being a receipt point. The orders also seek to have tolls established on the existing volume/distance toll methodology for movements of gas between Kingsvale and Huntingdon and between Station 2 and Kingsvale. BC Gas stated that the existence or nonexistence of upstream or downstream facilities should not alter the toll principles involved and the toll that BC Gas seeks is required with or without the SCP. According to BC Gas, access and an appropriate toll are at the heart of its application.

BC Gas explained that the primary purpose of the SCP is to provide gas supply to its core market customers at the least cost. As other benefits of the project, BC Gas identified potential improved efficiencies in markets through the enhancement of interchange between two major north-south pipeline corridors. Enhanced interconnection allows increased backhaul and diversion capability, improved access for B.C. producers to the Alberta Natural Gas (ANG) pipeline, more gas-on-gas competition and increased security of supply in the region served by BC Gas.

According to BC Gas, although much of this hearing focused on the merits of the SCP, BC Gas suggested that it is the BCUC which must decide which of a liquified natural gas (LNG) project, the SCP, or some other resource is in the public interest. Further, BC Gas stated that the Board's decision in this proceeding should not thwart the BCUC's determination of what is in the public interest.

BC Gas suggested that the Board has an obligation to ensure that the most efficient means are available for transporting gas from the ANG pipeline to markets in the Lower Mainland. BC Gas was of the view that Westcoast is seeking to erect barriers to entry, thereby preventing the core market from receiving the benefits of the lowest-cost gas supply by limiting choice.

BC Gas submitted that the tolls that it seeks are consistent with the existing methodology for Zone 4 tolls which has been in place for approximately 15 years without significant change. This toll methodology has stood the test of time and there is no reason to depart from it to accommodate the orders that it has requested. BC Gas further submitted that no aspect of Westcoast's General Terms and Conditions and toll schedules would prevent the orders from being issued. In BC Gas's view, tolls that vary the requested point-to-point service would be unduly discriminatory, violate the principles of cost causation and result in dissimilar tolls for similar traffic.

In support of its position on tolls, BC Gas relied on several past Board decisions. Among others, it quoted from the RH-2-92 Decision as follows:

"The Board finds TransCanada's proposal to change the method for calculating the distance for all intrazonal services, except STS, to be reasonable because it will more accurately reflect the distance gas actually travels on the system."

and the RH-1-91 Decision as follows:

"The proposal to utilize point-to-point tolls for all intrazonal and interzonal services which do not originate at the upstream end of the TCPL system will eliminate potential and existing tolling inequities among affected shippers by ensuring that shippers transporting gas over the same distance pay the same toll."

BC Gas argued that Westcoast's proposal to charge a toll equivalent to the combined T-North and T-South tolls is contrary to the existing toll methodology and unduly discriminatory. BC Gas submitted that such a toll is discriminatory because it would single out one shipper for a different toll methodology. With respect to the discussion that the toll proposed by Westcoast could be seen as a form of access fee, BC Gas argued that neither exit fees nor access fees were generally in the public interest.

With respect to Westcoast's suggestion that a form of incremental toll be applied following the installation of new facilities between Kingsvale and Huntingdon, BC Gas was again of the view that it would be inappropriate to single out one shipper for such a toll treatment. BC Gas added that, if there is to be a change to incremental tolling, this change should apply to all shippers and should be subject to a full toll design hearing. Relying upon a May 1979 decision of the CRTC, BC Gas argued that Westcoast is not entitled to compensation for lost revenue and that everyone should be subject to the same toll methodology.

BC Gas submitted that the Board should focus its attention on Westcoast and its facilities and on whether there is going to be any major harm that might arise from the orders that BC Gas is seeking. BC Gas suggested that the risk of underutilization of Westcoast's facilities was not unique to the SCP. As examples of other risk factors, it cited the Alliance pipeline and a possible lack of drilling in the northeast part of B.C. BC Gas argued that one potential cause of underutilization should not be singled out for the establishment of a new toll methodology or for refusing access to a pipeline system. BC Gas asserted that T-North facilities could be used to move gas to other areas, such as Alberta. With respect to T-South, BC Gas noted that, if some capacity was not used, the situation would not be different from a situation where Pacific Northern Gas (PNG) or Inland shippers have attrition capacity.

BC Gas argued that, regardless of future market growth, Westcoast would not be worse off if it provided service to the SCP under a ten-year contract than if BC Gas committed to an LNG plant. Further, BC Gas maintained that such a contract would provide Westcoast with the certainty it sought with respect to the need to add a compressor to prevent underutilization of existing facilities from occurring. BC Gas added that it was prepared to make some arrangements to pay for the capital cost of this compressor.

In response to suggestions that the SCP would be subsidized and, hence, would represent unfair competition, BC Gas replied that the core market customers are ultimately responsible for the costs of the SCP but that did not make it a subsidized project. BC Gas indicated that the core market customers would also underwrite an LNG project, and that would not make it a subsidized project.

BC Gas submitted that the suggestion that it should acquire capacity from Kingsvale to Huntingdon through a modified attrition capacity allocation procedure is flawed. BC Gas argued that the evidence did not show that attrition capacity existed where BC Gas requires capacity. Further, BC Gas suggested that the toll for capacity arising from a bidding process would be biased upward due to the requirement for a major new supply resource addition to serve growing demand.

## 2.2 Westcoast Energy Inc.

Assuming that BC Gas installs the facilities necessary to allow bi-directional gas flow at Kingsvale, Westcoast stated that it is prepared to provide service between Kingsvale and Huntingdon, but only on an interruptible basis. Westcoast suggested that the applicable toll be calculated by reference to the difference between the T-South interruptible toll to the Huntingdon Delivery Area and the T-South interruptible toll for the Inland Delivery Area.

Westcoast added that it is not prepared to remove the Kingsvale delivery point from the Inland Service Area and to provide an interruptible toll based on a volume distance point-to-point toll methodology. Westcoast explained that, if the Board approved that methodology, it would allow BC Gas to pay less than other Westcoast shippers for full transportation on T-South interruptible movements. BC Gas could then receive gas at the Savona delivery point at the Inland Delivery Area toll and deliver it back to the Kingsvale receipt point through its own facilities both by forward haul and displacement at the point-to-point toll, for a total lower toll than the Huntingdon Delivery Area toll.

For service from Station 2 to Kingsvale, Westcoast stated that it already provides the service on a firm and interruptible basis in that Kingsvale is located within the Inland Delivery Area. It added that it does not believe that a volume distance point-to-point toll should apply to such a movement and stated that BC Gas should not be allowed to determine which delivery points should be in the Inland Delivery Area.

On the issue of access, Westcoast asserted that, in the context of the SCP, it would be neither appropriate nor in the public interest for the Board to require Westcoast to provide firm capacity to BC Gas on the Kingsvale to Huntingdon section of the Westcoast system. It provided the following reasons for its position:

- The service would cause its facilities upstream of Kingsvale to be stranded to the detriment of Westcoast and its shippers and any future expansions of the SCP would expose Westcoast and its shippers to significantly greater risks of stranded facilities.
- The SCP will be heavily subsidized by BC Gas's captive core market customers because the two firm shippers on the SCP will be paying only a fraction of the annual incremental cost of service of the SCP facilities. BC Gas, in the view of Westcoast, would thus be imposing the risks of the SCP on Westcoast and its customers, along with BC Gas's core market customers, while leaving BC Gas's shareholders to bear little risk and enjoy all the gain.
- The proposed tolling scheme on the SCP is anti-competitive and would subsidize Alberta gas at the expense of Northeast British Columbia gas. Further, Westcoast considers that the point-to-point toll requested by BC Gas for Westcoast service would further subsidize the SCP because the toll would not reflect the cost consequences to Westcoast and its shippers of providing the service.

On the issue of access, Westcoast concluded that the Board should either not require Westcoast to provide the service, or, if Westcoast must provide it, set tolls that would fully compensate Westcoast and its shippers for the associated costs and risks.

With the addition of the SCP, Westcoast claimed that the relevant toll principles, toll methodology and terms and conditions for firm service from Kingsvale and Huntingdon should be changed. Westcoast explained that, with the SCP project, BC Gas will transform itself into a unique, dual competitor/customer. BC Gas would have the power to withdraw existing contract volumes from Westcoast and shift volumes to its own pipeline, thereby reducing Westcoast's toll design determinants and causing higher tolls for other Westcoast customers. For these reasons, Westcoast claimed that BC Gas would become fundamentally unlike, and not similarly situated with, all other customers on the Westcoast system.

Accordingly, if the Board requires Westcoast to provide BC Gas with firm capacity between Kingsvale and Huntingdon for SCP-sourced gas, Westcoast submitted that the toll should not be less than the sum of the tolls for T-North and T-South service to Huntingdon. Westcoast explained that this toll is necessary to compensate Westcoast and its shippers for the economic cost of providing the service and represents the opportunity cost, or the amount of lost revenue to Westcoast, for providing the service. Westcoast elaborated that this toll includes not only the cost of the facilities required for the Kingsvale to Huntingdon movement, but also the cost imposed on Westcoast and its shippers for the capacity upstream of Kingsvale rendered unusable as a result of BC Gas holding firm capacity only on the bottom section of the Westcoast system.

Westcoast made the point that, because the facilities upstream of Kingsvale are physically and economically integrated, the combined T-North and T-South toll to Huntingdon may understate the true cost of providing service to BC Gas because it does not reflect the cost of underutilized capacity in Zone 1 and Zone 2. Westcoast added, however, that it did not include the latter cost because it felt that the associated facilities would probably remain utilized.

Westcoast added that the economic impact of its suggested toll on the viability of the SCP should not be a relevant consideration for the Board.

While Westcoast pointed out that it could unstrand the capacity upstream of Kingsvale by constructing new facilities south of Kingsvale to provide capacity equal to that taken up by BC Gas, it stated that it is doubtful that market demand would materialize to support such an expansion. Westcoast first referred to BC Gas's intention of releasing further T-South and T-North capacity of up to 85 MMcfd. Further, Westcoast claimed that BC Gas will pursue future expansions of the SCP, causing stranding of additional T-South and T-North capacity and exacerbating the problem of finding new markets. Finally, Westcoast stated that there are further peaking efficiencies to be extracted from improved utilization of existing resources, transactional efficiencies, increased regional storage and a Northwest Pipeline expansion to Huntingdon.

Should Westcoast build new facilities to allow for SCP volumes, Westcoast suggested that the toll reflect the following:

- Incremental cost of the facilities needed to unstrand the capacity upstream of Kingsvale, based on the average incremental costs of expansion determined over a reasonable period of time;
- An appropriate allocation of existing system operating and maintenance costs and the benefits of scale and scope which BC Gas would achieve through its utilization of the existing Westcoast transmission facilities; and

- The risks to Westcoast inherent in providing SCP-related service, including a depreciation rate appropriate to the length of the contract term and a capital structure more reflective of the business risks that Westcoast would face as a result of the construction of the SCP.

Regarding BC Gas's offer to pay for the compressor that would be required to unstrand Westcoast's capacity, Westcoast replied that it would not solve Westcoast's concerns with BC Gas's project. Those concerns are subsidized service, future expansions of the SCP, and the cost shift that would be imposed on Westcoast's customers.

### **2.3 B.C. Old Age Pensioners' Organization, et al.**

BCOAP et al. supported BC Gas's application. It expressed support for a point-to-point toll based on the rolled-in cost of the Kingsvale to Huntingdon facilities. It stated that any other toll would be discriminatory and inequitable because it would imply a subsidy to the benefit of either the shippers using the Kingsvale and Huntingdon segment of the line if the toll was less than the point-to-point toll or the shippers using the rest of the system if the toll was higher. In the latter case, it claimed that the toll would reduce the competitiveness of the SCP.

BCOAP et al. claimed that any other toll would violate the principle of equal access to bottleneck facilities which has been central to achieving beneficial competition in other industries opened to competition, such as telecommunications, electricity and the sale of natural gas. It also suggested that there is an opportunity to further the goal of encouraging efficient competition in transmission by ensuring that interconnected facilities are priced equitably.

It also submitted that a higher toll could induce the BCUC to reject the project because of the tolls set by the NEB instead of on the basis of the merits of the project. It could also cause BC Gas to terminate the project due to uneconomic tolls, encourage BC Gas to build a bypass, or force BC Gas and its SCP customers to subsidize customers on the Westcoast system.

BCOAP et al. disagreed with the rationale for the toll recommended by Westcoast. It submitted that it is for the BCUC to determine whether the SCP is in the public interest and that the SCP should not be considered a subsidized project. It also submitted that, as a result of the multi-functional nature of the SCP, the project needs to recover only a portion of its total cost through conventional tolls. Finally, it suggested that no upstream capacity will be stranded because Westcoast could remove the stranding at low cost through increased compression, and that there is significant demand in the U.S. through Huntingdon and Sumas to absorb any spare capacity.

Regarding the access issue, BCOAP et al. stated that the Board should issue orders requiring Westcoast to provide service.

### **2.4 Canadian Association of Petroleum Producers**

CAPP disagreed that the BC Gas application simply relates to a customer seeking service. Rather, CAPP portrayed BC Gas's application for access on the Westcoast system as a competing pipeline seeking to make its project viable by "piggybacking" on a competitor. CAPP suggested that the combination of factors in this case makes the BC Gas proposal unique. CAPP maintained that the request for access in the absence of the SCP is not real.

CAPP added that this competing pipeline is not market-based and is hugely subsidized. CAPP submitted that BC Hydro and PG&E Trading would be firm 365-days-a-year shippers for 10 years and that a firm transportation service from Yahk to Huntingdon indisputably competes with service provided by Westcoast. According to CAPP, the SCP is subsidized because BC Gas's captive customers would only use six percent of the facilities and pay for 94 percent of the costs whereas those parties using the firm entitlement would pay for six percent of the costs. CAPP argued that subsidized competition is not in the public interest and suggested that the Board should deny access to BC Gas given the unique character of the application. Should the Board decide to grant access for service at Kingsvale, CAPP could see no scope in this case for Westcoast or gas producers to bear any costs related to underutilized facilities resulting from BC Gas's request.

## **2.5 Council of Forest Industries, Cominco Ltd. and Methanex Corporation**

COFI et al. supported BC Gas's application. It saw no ratemaking or regulatory precedent to deviate from the Board's past practice or to recommend tolls based on incremental costs or on the costs for the entirety of Zones 3 and 4. It recommended that the Board continue to rely on tolls based on actual distances if the SCP or other facilities are built. COFI et al. also proposed that the Board issue an order requiring Westcoast to receive, transport and deliver gas from Kingsvale to Huntingdon and from Station 2 to Kingsvale.

COFI et al. disagreed with Westcoast's characterization of the SCP project as a grossly subsidized, anti-competitive project. COFI et al. viewed the project as introducing fair competition, but only as an ancillary benefit to providing a solution to BC Gas's problem regarding peaking and seasonal requirements. It also suggested that there is no subsidy involved in this case inasmuch as what has been contracted to shippers is excess SCP capacity under a process similar to the reselling of capacity in the secondary market. It added that the fact that the available capacity attracted little market interest is not an indication of a gross subsidy but of the little value placed on the capacity.

Regarding competition, COFI et al. submitted that there are precedents in the long-distance telephone market where, in an effort to promote competition, parties are allowed the use of competitors' facilities on reasonable terms and rates. It also stated that the SCP would introduce fair competition for the benefit of British Columbia customers, giving them more security of supply and more choices in the market. COFI et al. pointed out that the Board has encouraged competition, for example in Zones 1 and 2, where shippers may use a combination of Westcoast's and its competitor's facilities and, in Zones 3 and 4, where there is a secondary market for capacity. COFI et al. also referred to the recently-approved Alliance project that will compete with both TransCanada PipeLines Limited (TransCanada) and Westcoast for producer volumes.

## **2.6 Export Users Group**

EUG submitted that, without the SCP project, this application by BC Gas would not have been filed and that, without access to the Westcoast system, the very purpose of the SCP would be entirely frustrated.

If the SCP is approved by the BCUC, EUG was of the view that the Board should grant access to BC Gas by requiring Westcoast to establish a new receipt point at Kingsvale and deliver BC Gas's gas to Huntingdon. In support, EUG suggested that permitting BC Gas to move gas on and off of the Westcoast pipeline at Kingsvale is consistent with the advent of an interconnection policy for gathering and processing activities upstream. Further, the existence of a transportation alternative to serve markets in

southern B.C. and the Pacific Northwest may motivate Westcoast to operate more efficiently and benefit all shippers. EUG also submitted that the fact that Westcoast devoted a considerable portion of its evidence to the calculation of an appropriate toll leads one to assume that most or all of the concerns about the appropriateness of access may be dealt with through the toll methodology.

Regarding an appropriate toll if the Board directs Westcoast to provide BC Gas with access at Kingsvale, EUG suggested that the appropriate toll falls somewhere between the two extremes submitted by BC Gas and Westcoast. EUG encouraged the Board to apply judgment in arriving at a toll which fairly balances the interests of all stakeholders in a consistent and predictable manner.

EUG submitted that BC Gas's proposal, in its view, appears to ignore to some extent the principles of cost causation because the suggested toll would provide no mitigation for the costs of stranded capacity to be borne by all shippers. It also submitted that Westcoast's proposal, at the other extreme, would fully insulate Westcoast from all costs and risks associated with the SCP. EUG suggested that Westcoast's basis for distinction of the existing point-to-point toll from Station 2 to PNG and the proposed Kingsvale to Huntingdon toll seems rather arbitrary and raises concerns regarding unjust discrimination.

Finally, EUG suggested that the Board encourage BC Gas and Westcoast to discuss further BC Gas's offer to pay for the cost of the compressor that would be required to unstrand capacity upstream of Kingsvale if the SCP is built.

## **2.7 BC Hydro and Power Authority**

BC Hydro stated that it required firm gas transportation and supply to meet its growing electric load requirements and has therefore entered into a Firm Tendered Service Agreement with BC Gas for transportation service from Yahk to Huntingdon. BC Hydro supported a point-to-point volume/distance toll for the service requested by BC Gas on Westcoast from Kingsvale to Huntingdon. BC Hydro suggested that such a toll as provided for PNG is based on the rolling in of all costs associated with pipeline facilities providing the service and reflects the economies of scale of all demand for services on the pipeline system. BC Hydro argued that the evidence pointed to continued and growing demand for gas in markets served through Huntingdon, making the uncertainty related to the use of existing and new facilities a transitional issue. It also submitted that a regulated utility should not be permitted to choose its shippers based on whether the shipper has a competitive impact on the utility.

With respect to the issue of unfair competition, BC Hydro stated that the transportation service on the SCP is not comparable to that offered on T-South of Westcoast because the shippers must agree either to be curtailed or to provide peaking service for up to 15 days per year.

## **2.8 Northwest Pacific Energy Marketing Inc.**

Northwest Pacific Energy Marketing Inc. (NORPAC) was of the opinion that the firm service requested by BC Gas between Kingsvale and Huntingdon is unique. All of the gas that moves on Zone 4 originates at Station 2 and is delivered to Station 2 by Zone 3 and the existing toll methodology on Zone 4 is designed on that premise. It stated that the Board should grant BC Gas access to firm service between Kingsvale and Huntingdon at a toll that reflects the full cost of providing the service.

To ensure that existing shippers are left unharmed by the offering of the new service, NORPAC suggested that, if the Board were to order Westcoast to install facilities to provide the service from the



outset, the toll should recover the incremental cost associated with the service and contribute appropriately to the existing system infrastructure cost.

If the service is provided with existing facilities, NORPAC suggested that the toll reflect the opportunity cost for the new service, which it determined would be equivalent to the T-South toll to Huntingdon. In support of this toll, NORPAC pointed out that the market has already put a value on the Kingsvale to Huntingdon segment of T-South inasmuch as BC Gas's bid for the capacity should at least equal the recent bidding for winter Short-term Firm Service which was made at approximately the equivalent of the full T-South Firm Service Toll.

In reply, BC Gas disagreed with NORPAC's proposed toll methodology because, in its opinion, it seeks to create two classes of shippers where existing shippers would be granted acquired rights and certain shippers would be singled out for special toll treatment. It also claimed that, if Westcoast provided more capacity, it would be possible that the value for Short-term Firm Service would decrease.

## **2.9 PG&E Energy Trading, Canada Corporation**

PG&E Trading supported BC Gas's application and submitted that the Board should issue the orders requested by BC Gas. It suggested that there has been a mischaracterization of the relationships between BC Gas and its two shippers and maintained that the SCP involves no subsidy; rather, it suggested that the opposite is happening where a core market need is being served by a least-cost means. PG&E Trading suggested that the main reason for Westcoast to oppose the SCP is that Westcoast does not believe that the project is better than an LNG plant or is the best alternative to meet the core market requirements for peaking gas which are issues for the BCUC's consideration.

## **2.10 CanWest Gas Supply Inc.**

CanWest Gas Supply Inc. (CanWest) withdrew as an intervenor to these proceedings after submitting a Letter of Comment. In its Letter of Comment, CanWest made a number of suggestions including a proposal that a form of Westcoast's Attrition Capacity Allocation Procedure be utilized prior to or in the absence of the SCP. This suggestion, unsupported by evidence or argument, was not adopted or supported by any of the Parties.

## Chapter 3

# Views of the Board

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### 3.1 The Board's Statutory Mandate and General Tolling Principles

It is important to begin an analysis of issues such as those that formed the basis of this hearing with an affirmation of the statutory mandate of the Board and of the general principles which guide the Board in reaching its decisions on matters related to pipeline traffic, tolls and tariffs. The two major areas related to the issues of these proceedings are that of access to an existing pipeline and tolling.

#### Access

Access to pipelines is governed by subsection 71(2) of the NEB Act. Natural gas pipelines have historically been contract carriers. However, the Board can require, on terms and conditions specified in an order, a company operating a pipeline to receive, transport and deliver gas for a shipper when the pipeline company refuses service. Basically, the decision to issue such an order is a public interest determination after considering the relevant facts.

#### Tolling

The relevant statutory provisions with respect to toll matters are found in Part IV of the NEB Act, particularly sections 62 and 67. To this end, all tolls must be just and reasonable and no toll shall result in unjust discrimination or unequal treatment contrary to these provisions. As noted in previous Board decisions, the Board has a wide discretion in choosing the method to be used by it and the factors to be considered by it in assessing the justness and reasonableness of tolls. This discretion has been confirmed by various decisions of the Federal Court of Appeal<sup>3</sup>. The Board continues to be of the view, as it was in RH-1-89, that it should follow a broader interpretation of its powers under section 62 with respect to the meaning of "traffic" and the factors to be taken into consideration when determining whether there are "substantially similar circumstances and conditions". The Board also recognizes that there should be compelling reasons to lead the Board to conclude that the service is not being provided under substantially similar circumstances and conditions.

The Board must examine the facts of each case. The relevant factors will vary, and have varied, in each case. The tolling regime for an existing pipeline is a complex matter - a combination of regulation and settlements today - that evolves over time to address changing demands and needs, and always requires balancing of divergent interests.

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<sup>3</sup> See *British Columbia Hydro and Power Authority v. Westcoast Transmission Company Limited*, [1981] 2 F.C.R. 146, 36 N.R. 33 (F.C.A.); *Trans Mountain Pipeline Company Ltd. v. National Energy Board*, [1979] 2 F.C.R. 118, 29 N.R. 44 (F.C.A.); and *Consumers' Association of Canada v. The Hydro-Electric Power Commission of Ontario (No. 1)*, [1974] 1 F.C.R. 453, 2 N.R. 467 (F.C.A.).

## 3.2 The Nature of the Requested Service

As the Parties to this hearing have acknowledged, this hearing has largely been about “characterization”. To provide a framework for deciding the matters in issue in these proceedings, it is important to understand the nature or character of the service being sought by BC Gas. This, in turn, requires that the Board consider, for this purpose, the arrangements through which natural gas will be delivered to the Westcoast system. Since the Parties focused the majority of their attention, in both testimony and final argument, on the situation should the SCP proceed, the Board has dealt with that case first.

Concerning the SCP arrangements, the Board is cognizant that responsibility for regulatory oversight of the SCP project and the services that it could provide to the customers of BC Gas rests with the BCUC. Accordingly, the Board has had regard to the BC Gas arrangements only insofar as is necessary to determine the issues before it in this proceeding; namely, whether access to the Westcoast system should be mandated and, if so, at what toll.

On a number of occasions throughout the course of the hearing, BC Gas emphasized that its primary objective for building the SCP is to “provide the least-cost delivered gas supply to its core market customers”. The Board does not dispute that the arrangements described during these proceedings would allow BC Gas to provide a different gas supply to its customers. However, the issues of BC Gas’s objectives and the impacts of its plans on its customers are more properly matters of interest to the BCUC. What is of primary interest to this Board is how those arrangements would operate in practice; it is this aspect of the arrangements that would impact on the operation of the Westcoast system, a matter clearly within the mandate of the National Energy Board.

During the hearing, parties attempted to compare the SCP arrangements to:

- a competitor of Westcoast; and
- a supply source analogous to a new well or resource area.<sup>4</sup>

Each of these characterizations is discussed below. The Board then addresses the two key issues of whether, in light of the nature of the service to be provided by the Westcoast system, access ought to be granted and, if so, at what toll.

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<sup>4</sup>During the course of this proceeding, the SCP arrangements were also compared to a by-pass. In general, a by-pass would be an economic means of effecting deliveries for a shipper by not using the incumbent pipeline. In other words, a by-pass pipeline would normally be economically feasible on a stand-alone basis. However, in this situation, as acknowledged by BC Gas, “[w]ithout the requested service (on Westcoast) the benefits of the SCP are reduced to the point where the project would not be viable.”

In previous by-pass toll situations, the incumbent pipeline has asked its regulator to approve a toll that is different and lower than the otherwise applicable toll, in order to avoid being by-passed. Such requests are not unusual and have, in some instances, been given regulatory approval. That is not, however, the situation faced by the Board in this application. Thus, the Board concludes that the proposal of BC Gas is not comparable to the situation involving a by-pass toll.

## **Competing pipeline**

Once constructed and operating, the SCP, as presented in the evidence at these proceedings, bears a strong resemblance to a competing pipeline. Each of Westcoast and SCP would offer firm transportation services to its shippers who would be able to source their gas from a variety of suppliers as available. Each company would offer a pipeline available to deliver gas for sale into the Huntingdon Delivery Area for use in British Columbia or to the Huntingdon export point for delivery into the United States market. Shippers on either pipeline would be able to operate freely within the tariff of their respective pipelines. Since the side agreements between BC Gas and the SCP shippers exist and operate distinctly from the transportation agreements, they do not, in the opinion of the Board, alter the nature of the service provided on the pipeline.

## **A new source of gas**

BC Gas compared its new supply source to a new well or supply basin being connected to an existing pipeline. Certainly, the results of the BC Gas arrangements would be that a volume of gas would be available to a new receipt point on the Westcoast system.

However, at the same time, there are significant differences between the SCP arrangements and the usual new supply source. For example, a new supply source would generally add incremental volumes to the existing pipeline and, in most cases, would not result in underutilization of the existing pipeline system or stranding of upstream capacity. Further, on the Westcoast system, new supply sources have traditionally been joined at the upstream end of the system, utilizing Zones 1 and 2 for raw gas gathering and processing, Zone 3 for processed gas gathering and transmission, and Zone 4 exclusively for transmission and deliveries. The system has been designed to accommodate such new supply sources in Zones 1, 2 and 3 but not Zone 4. Over time, tolling methodologies have developed, through a combination of regulation and, more recently, negotiated settlements, to reflect this model. If the BC Gas proposal can be viewed as a new supply source, it must be acknowledged that accommodation of this new supply at the downstream end of the system would be significantly different from that for which the Westcoast system has historically developed.

In conclusion, with respect to the characterization of the service which BC Gas seeks, the Board is of the view that it resembles most closely a new and competing pipeline requesting an interconnection with an existing pipeline. However, the service also has aspects of a new gas source. Accordingly, the Board has examined the BC Gas requests on the basis of both of these characterizations.

## **3.3 Access**

The Board had diametrically opposed views before it on whether or not access should be granted.

The key arguments of BC Gas and its supporters centred on the negative impact of a denial of access on the availability of competition and choice to the marketplace. Parties pointed to a number of Board decisions where the availability of customer choice was cited as a reason for approving a particular application. The Board notes that, while previous decisions may be helpful, it is not bound by its earlier decisions and that each particular fact situation requires careful analysis. The Board is faced with a unique situation with this application.

The case against providing access was made by Westcoast and CAPP. Many of the arguments related to whether the SCP project is in the public interest. That is not a matter that the Board views as directly relevant. Such an assessment of these facilities will be dealt with in another regulatory forum, and not by this Board in these proceedings.

A common thread between CAPP's and Westcoast's positions was their argument that access should be denied because of the degree to which the competing pipeline (that is, SCP) would be subsidized. On the basis, *inter alia*, that the request for access at Kingsvale in connection with the SCP is for competing transportation that, in its view, is not market based and is hugely subsidized, CAPP argued that access should be denied.

The Board is unable to use, as a reason for denial of access to BC Gas, Westcoast's and CAPP's argument that the tolling scheme inherent in BC Gas's proposal is subsidized and therefore would lead to an inefficient outcome which is not in the public interest. To arrive at that conclusion would require that the Board, on the basis of an incomplete set of facts before it in respect of the SCP project, express views that are matters for consideration by the BCUC.

Westcoast and CAPP also argued, in essence, that access should be denied due to the very nature of the SCP project as a competing pipeline "piggybacking" on a portion of the Westcoast system. While this characterization makes this BC Gas application unique, the Board does not see this as a reason for denying access. It may, however, require further assessment in relation to the proper tolling principles, an issue that is discussed below.

Thus, if the BC Gas service, in the context of SCP, is viewed as a competing pipeline requesting an interconnection to the Westcoast system, the Board is of the view that granting access to BC Gas is in the public interest, on the basis that:

- (a) even though the facts of these applications may make the situation unique, none of these facts lead to a denial of access; and
- (b) access could allow more choices to the market currently served by the Westcoast system.

Turning to the alternate, albeit less convincing, characterization of the service as analogous to a new supply source, the arguments for denying access would be even less compelling. Accordingly, under either characterization, the Board is of the view that Westcoast should be required to establish Kingsvale as a receipt point on its system.

### **3.4 Appropriate Firm Toll**

BC Gas and others have suggested that the existing volume/distance based methodology established in Zone 4 should be applied to a proposed new receipt point within that zone. The Board notes, however, that although there are numerous delivery areas within Zone 4 to which this methodology has been applied, the only receipt point for Zone 4 has been at Station 2. The Board, therefore, is of the view that the matter presently before it is not a simple matter of applying an existing methodology to a new receipt point. Given the Board's decision to grant BC Gas access to the Westcoast system at Kingsvale, the question then becomes whether it is just and reasonable, as discussed below, to strictly apply the existing methodology in view of what may be perceived as a fairly significant change in circumstance, i.e. a new receipt point.

In the situation where an existing system is required to provide an interconnection to a competing pipeline, it is logical that the service, or forced interconnection, should only be required on terms that treat the incumbent fairly and that provide for an equitable allocation of costs. The toll, in the case of such a characterization, that would be just and reasonable and that would meet the statutory obligations of the NEB Act should properly reflect the cost of providing service, including the impacts of the SCP on the Westcoast system. In this unique case, a point-to-point toll as requested by BC Gas would not, in the view of the Board, reflect the cost of providing the service.

Westcoast proposed that payment of a toll equivalent to the combined Zone 3 and Zone 4 toll to Huntingdon could result in an acceptable surrogate for the full cost of providing service. Such a toll does not, however, recognize the characteristics of the existing contracts on the Westcoast system. When a shipper contracts for service in a zone, there is currently no obligation to pay for service or to contract on another zone. For example, a shipper can have gas transported to Station 2 by a third party and have it transported to Huntingdon under its own contracted capacity in Zone 4. Moreover, shippers have choices under existing contract provisions to manage their portfolio of contracts according to their needs.

Given the independence of contracts in various zones and the possibility that capacity left available in Zones 1 to 3 could be contracted to other shippers, the Board believes that it would be neither practical nor just and reasonable for the toll to include a component to recognize underutilization in these zones. However the Board is of the opinion that the adverse effect of unused capacity in Zone 4 should be recognized as a cost directly associated with the competing nature of the SCP.

In view of the foregoing, using the competing pipeline characterization, the appropriate toll for the services between Kingsvale and Huntingdon should be the Zone 4 toll to Huntingdon.

As discussed, an alternate, but less convincing, characterization would be that of a new supply source seeking access to the Westcoast system. Assuming that the Board accepts this characterization, BC Gas then relied extensively on the Board's RH-2-92 Reasons for Decision, where the Board approved intra-zonal point-to-point tolls on the TransCanada system for volumes of gas received at St. Clair and Parkway, points geographically within the Eastern Zone toll area. The Board does not agree that the decision stands for the proposition that a new supply source would acquire inherent rights to a volume/distance or point-to-point toll. The Board notes that the circumstances in which the RH-2-92 Decision was made differed materially from the situation before the Board in these proceedings. There were no issues of displaced, idled or bottlenecked capacity. Also, the proposal, which was submitted to the Board by TransCanada for approval, was not opposed. Such is not the case here.

In support of its position, BC Gas also relied on the fact that the existing volume/distance toll methodology results in tolls for PNG and the Inland Delivery Area that are less than the full Zone 4 toll to Huntingdon. In its submission, failure to allow for a point-to-point toll for receipt at Kingsvale would create unjust discrimination and be contrary to the provisions of the NEB Act. The Board does not agree. There are material differences between the applied-for toll and the existing tolling for the cited examples. Foremost is the fact that BC Gas seeks to establish a receipt point, and not a delivery point or area. Although numerous delivery points have been contemplated and established within Zone 4, Station 2 was the only receipt point contemplated when the Zone 4 methodology was established and as it has been applied to date. In addition, the toll methodology that BC Gas attempts to rely on was established through a long regulatory history and have been most recently affirmed by Westcoast shippers and the Board in the RH-2-97 Decision concerning Westcoast's Incentive Settlement.

It is important to note that the existing configuration of the Westcoast system is a direct result of the historical demands placed upon it. During the hearing, the Westcoast transmission system was described

as being built on a telescope basis; that is, gas is received at Station 2 and the system narrows as delivery points are reached, with the result that the pipeline is capable of carrying smaller volumes as one travels downstream to Huntingdon. Any new source of gas would be competing with the supply source for which the pipeline has been built in this telescopic configuration.

The Zone 4 pipeline system has been constructed to efficiently utilize capacity in this telescopic configuration and was not designed with the consideration that it would receive gas at any point downstream of Station 2. The existing tolls within Zone 4 were also designed on the premise that Station 2 is the only receipt of gas on this part of the system. The proposed BC Gas receipt point will, as a consequence of its location at the narrow end of the telescopic configuration of Zone 4, block transmission capacity that normally would flow from Station 2 to Huntingdon. Addition of such a receipt point would be a fundamental change in the design premise of the Westcoast Zone 4 pipeline system and would be inconsistent with the premise upon which the existing Zone 4 toll design is based.

The new shipper seeking to access a system where an established toll exists would generally be expected to pay the existing toll. Since this new shipper would cause part of the system upstream of its delivery point to be underutilized and therefore would impact adversely on the other shippers, a case could be made that the shipper should be expected to pay an incremental toll based on the costs of its access to the system. However, since the roll-in of costs caused by shippers on the system has been applied fairly consistently by the Board (and for the reasons stated in previous decisions), it is appropriate that the shipper should be allowed in at the existing toll. In this case, the resultant toll would be the Zone 4 toll to Huntingdon, in recognition of the establishment of a new receipt point within an existing zone.

In either of the two above characterizations, the resulting just and reasonable toll would be the Zone 4 toll to Huntingdon.

### **3.5 Effects of a Future Expansion of Westcoast**

During the proceedings, there was considerable discussion of the potential for future expansion of Westcoast to accommodate the SCP-sourced volumes and normal market demands on Westcoast. The question arises whether any of the characterizations described above would change at that time. Upon the next or some future expansion, there may well arise a situation where a fundamental reexamination of the Westcoast tolling system is required. Such a fundamental review recently took place with respect to the upstream gathering and processing functions of Westcoast and is currently being undertaken for the Nova pipeline system in Alberta. The Board is not prepared to opine on this possibility and leaves the question of the appropriate tolling principles and methodology after the next significant expansion to be considered by the Board at such time.

### **3.6 Nature of Service Without SCP**

Assuming that BC Gas installs the required facilities on its system to allow bi-directional flow at Kingsvale, BC Gas would be able, even without the SCP, to deliver volumes of gas to the Westcoast system at Kingsvale. While the volumes would be smaller, they would still rely on the Kingsvale to Huntingdon portion of Westcoast's system for delivery to markets. Accordingly, the Board is of the opinion that granting access to BC Gas in this case is also in the public interest. The question of the appropriate toll methodology for firm service from Kingsvale to Huntingdon in this circumstance needs to be addressed. The Board is of the view that, to be consistent with the new source of supply characterization described above, the appropriate toll for such service would be the Zone 4 toll to Huntingdon.

The question of the appropriate toll methodology for interruptible service from Kingsvale to Huntingdon, with or without the SCP, also needs to be addressed. The two options considered in the proceeding were a point-to-point toll between the receipt and delivery points and a toll calculated using what was called the “delivery area differential” methodology. That is, a toll calculated using the current T-South interruptible toll methodology applied to the difference between the firm toll to the Huntingdon Delivery Area and the firm toll to the Inland Delivery Area.

Given the Board’s views above on the firm service toll from Kingsvale to Huntingdon, particularly the decision not to establish a point-to-point toll for this service, the Board is of the view that the second option, i.e., the delivery area differential method, would be the most appropriate toll design for interruptible service in these circumstances.

Likewise, the Board sees no reason to depart from the current methodology for the firm service toll from Station 2 to Kingsvale. Kingsvale should remain a delivery point within the Inland Delivery Area and volumes originating at Station 2 for delivery at Kingsvale should continue to pay the Inland Delivery Area toll.

### **3.7 Decision on Issues in these Proceedings**

Based on the above discussion, the Board has decided the following:

- (a) Westcoast is directed to establish a new receipt point at Kingsvale and to receive, transport and deliver any gas delivered at Kingsvale to the Huntingdon Delivery Area.
- (b) The appropriate toll for firm service from Kingsvale to Huntingdon shall be the Zone 4 Option B toll to the Huntingdon Delivery Area.
- (c) The toll for firm service from Station 2 to Kingsvale shall remain the Inland Delivery Area toll.
- (d) The toll for interruptible transportation service from Kingsvale to Huntingdon shall be calculated with reference to the difference between the Huntingdon Delivery Area toll and the Inland Delivery Area toll.
- (e) The request to remove Kingsvale from the Inland Delivery Area toll calculation and to restructure the Inland Delivery Area toll calculation by removing the Kingsvale allocation units is denied.

Order TG-x-99, set out in Appendix I, gives effect to these decisions.



## Chapter 4

# Disposition

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The foregoing chapters, together with Order TG-x-99, constitute our Decision and Reasons for Decision on matters considered in the RH-2-98 proceeding.

J.A. Snider  
Presiding Member

A. Côté-Verhaaf  
Member

G. Caron  
Member

Calgary, Alberta  
April 1999

## Appendix I

# Order TG-X-99

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### ORDER TG-X-99

IN THE MATTER OF the National Energy Board Act (NEB Act) and the Regulations made thereunder; and

IN THE MATTER OF an application by BC Gas Utility Ltd. (BC Gas) for orders pursuant to sections 70 and 71 of the NEB Act requiring Westcoast Energy Inc. (Westcoast) to receive, transport and deliver natural gas from Kingsvale to Huntingdon, British Columbia and fixing the toll that Westcoast may charge for the service.

BEFORE the Board on \_\_ March 1999.

WHEREAS BC Gas filed an application dated 14 July 1998 for orders under sections 70 and 71 of the NEB Act requiring Westcoast to receive, transport and deliver gas from Kingsvale to Huntingdon and prescribing the terms and conditions, including tolls, for the service;

AND WHEREAS the Board on 2 October 1998 advised that the subsection 71(3) aspects of BC Gas's application were not ripe for consideration;

AND WHEREAS the toll methodology issues contained in the application were set down for public hearing pursuant to Hearing Order RH-2-98;

AND WHEREAS the Board has considered the application and the comments of interested parties in relation thereto during the course of the RH-2-98 proceeding;

AND WHEREAS the Board has determined that it would be in the public interest to require Westcoast to receive, transport and deliver gas offered for transmission at Kingsvale and has established an appropriate toll methodology for such services.

IT IS ORDERED, pursuant to sections 59, 70 and 71 of the NEB Act, THAT:

1. Westcoast shall establish Kingsvale as a receipt point on its system.
2. Westcoast shall, in accordance with the terms and conditions set out below, receive, transport and deliver gas offered by BC Gas for transmission from Kingsvale to the Huntingdon Delivery Area.
3. The toll for firm transportation service under this order shall be equivalent to the currently-approved Zone 4 Option B firm toll to the Huntingdon Delivery Area.
4. The toll for interruptible transportation service under this order shall be calculated by using the currently-approved Zone 4 interruptible toll methodology applied to the difference between the firm toll to the Huntingdon Delivery Area and the firm toll to the Inland Delivery Area.

5. This order will terminate upon Westcoast and BC Gas entering into a transportation contract for the requested services and filing such contract with the Board.

NATIONAL ENERGY BOARD

Michel L. Mantha  
Secretary