

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

ISSUE STATEMENT:

The T-North Toll Design Subcommittee discussions resulted in recommended changes to certain toll design and service-related components on T-North. Proposed changes were developed for (i) Short Haul service; and (ii) the manner in which Westcoast manages mismatches between the Receipt Point specified in a Shipper’s Firm Service Agreement (the “Contracted Receipt Point”) and the location of the supplies or proven reserves that the Shipper owns, controls or has contracted for on a firm basis (“Production Location”).

Note that capitalized terms used in this IRS have the same meaning set out in Westcoast’s General Terms and Conditions and Toll Schedules unless otherwise defined in this document.

BACKGROUND AND DISCUSSION:

In its March 8, 2018 letter decision regarding the examination to determine whether to undertake an inquiry of the tolling methodologies, tariff provisions and competition in Northeast BC (“Examination Decision”), the National Energy Board (“Board”) directed Westcoast to file with its 2019 Final Tolls application a number of items including an analysis of its Zone 3 (T-North) tolling methodology and tariff provisions that addresses whether the current methodology should be retained.

Westcoast solicited interest from shippers in participating in the T-North Toll Design Subcommittee (“Subcommittee”) at the September 2018 and October 2018 TTTF meetings. A total of 18 companies and associations participated in the Subcommittee; participants included marketers, producers, consumers and system-connected facility owners. The first Subcommittee meeting was held on November 29, 2018. Over the following four months, five additional Subcommittee meetings were held.

In its March 22, 2019 filing pursuant to the Examination Decision, Westcoast submitted that its current T-North tolling methodology, tariff provisions and capital investment policies promote the economically efficient use of the existing system and that the current methodology should therefore be retained. Westcoast also informed the Board that it was continuing to hold discussions with its shippers to determine whether toll design changes were desired or warranted, and that Westcoast may in the future file or bring forward for Board approval changes or modifications to the current T-North tolling methodology and tariff provisions.

A further seven additional Subcommittee meetings were held over the following eight months, with the final meeting held on November 27, 2019.

Over the course of the 13 Subcommittee meetings, discussions principally included the following:

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

1. Background related to Westcoast’s current T-North tolling methodology and tariff provisions, including a review of historical regulatory decisions that led to the existing T-North tolling methodology;
2. The proposed Zone 3 Capital Spending Policy with respect to system expansions and extensions (since filed with the Board in its March 22, 2019 filing and posted on Westcoast’s website);
3. A comprehensive review of current T-North service attributes, functions, contracts, and flow patterns, including an analysis of displacement flows;
4. Potential T-North Long Haul toll design options and forecast tolls including various distance-sensitive (distance-weighted) and zonal toll design options;
5. T-North Short Haul service, including a review of the historical development and uses of Short Haul service, the evolution to current usage, and potential changes to the service for the future; and
6. Management of the alignment of Contracted Receipt Points and Production Locations, including a review of historical subcommittee discussions, application of current tariff rules with respect to Contracted Receipt Point relocations, and development of an alternative means of handling Contracted Receipt Point and Production Location misalignments in the future.

PROPOSED T-NORTH TOLL DESIGN CHANGES:

A. Short Haul Service

The following changes are proposed for T-North Short Haul service:

1. With the exception of deliveries to Northern Communities, Short Haul service would only be available as Interruptible Service on segments where contracting for Short Haul Firm Service might otherwise, in Westcoast’s opinion, block Long Haul Firm Service contracting, though such segments could still be contracted on a Firm basis at the Long Haul toll; and
2. Existing Short Haul Firm Service Agreements held on segments where contracting for Short Haul Firm Service might otherwise, in Westcoast’s opinion, block Long Haul Firm Service contracting would be grandfathered for their respective remaining terms but

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

should the Firm Service Shipper elect to renew such service, the service would be converted to Long Haul Firm Service for the renewal term and any extensions thereafter.

All other elements of Short Haul service as described in the tariff would remain including the 75 km distance limit and the ability for utility suppliers of gas to Northern Communities to access Firm Short Haul service.

B. Production Source Relocations

The key issue discussed by the Subcommittee in developing the proposal described below is how Westcoast should manage situations where there is a mismatch between a Shipper’s Contracted Receipt Point and the Shipper’s Production Location, particularly in circumstances where there is insufficient pipeline capacity to satisfy the aggregate Contract Demand at the Contracted Receipt Points.

Westcoast’s current process for situations where there is a mismatch between a Shipper’s Contracted Receipt Point and the Shipper’s Production Location is to relocate the Contracted Receipt Point to the Production Location upon contract renewal or assignment. To provide more flexibility for Shippers, changes are proposed with regard to how Contracted Receipt Point relocations (“Production Source Relocations”) will be managed by Westcoast in the future.

The Subcommittee used the principle of “no harm, no foul” in developing the alternative to the current process; provided there is no harm to other Shippers or the Pipeline System, Production Source Relocations would not be required even when the Shipper does not have production at the Contracted Receipt Point location and there is insufficient capacity to satisfy the aggregate Contract Demand at the Contracted Receipt Point. The proposal is also based on the principle that Production Source Relocations should be a last resort. Westcoast expects the secondary market will solve many issues in advance of Westcoast being required to take action. Lastly, the Subcommittee proposal relies on continued TTTF consultation throughout the process to provide transparency respecting any Westcoast actions.

Two other guiding principles were followed in developing the Subcommittee proposal. First, the proposal maintains the existing tariff distinction between Shippers with and without production at a Contracted Receipt Point location. Second, Westcoast will continue to rely upon Shippers’ representations regarding production capabilities at the Shippers’ Contracted Receipt Points (as described in Article 17 of the General Terms and Conditions). The proposal attempts to maximize customer access to Firm Service at locations where they have production and minimize the deployment of capital necessary to support actual physical gas flows on the system. At the same

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

time, it also seeks to minimize Production Source Relocations for Shippers without production at the Contracted Receipt Point.

The proposal may be divided between a process to manage mismatch situations in two scenarios.

Scenario 1 – No Requests for Additional Service

In circumstances where Westcoast believes that capacity on a segment has become or has the potential to become insufficient to satisfy the aggregate Contract Demand at the Contracted Receipt Points (for example, because the capacity of the segment has or will decrease without compressor maintenance or upgrade/replacement), the following process would apply.

1. Westcoast would ask all Shippers at the location where the mismatch exists to voluntarily relocate all or some of their Firm Service at their Contracted Receipt Point to the Shipper’s Production Location or to an alternate downstream location that would resolve the existing or potential capacity shortfall.
 - a) If the capacity shortfall is resolved by the voluntary relocations, no further action would be required.
 - b) If the capacity shortfall is not resolved by the voluntary relocations, Westcoast may, if it expects that the Firm Service is unlikely to be fully utilized at the Contracted Receipt Point, present the situation to the TTTF and recommend that capital not be expended to address the capacity shortfall.
2. If the TTTF, by unanimous or unopposed resolution, agrees that capital should not be expended to address the capacity shortfall, Westcoast would use account availabilities (“AAs”) to limit the Authorized Receipt Volume at the Contracted Receipt Point, to approximately the level of production for Shippers with production at such location, and to zero for those without production at such location. In addition, Shippers would not be eligible for Contract Demand Credits (“CDCs”) resulting from Westcoast’s inability to provide Firm Service within the constraint group containing the impacted location so long as the Contract Demand exceeds pipeline capacity. Any subsequent increase to AAs whereby the aggregate AAs exceeds the pipeline capacity would require Westcoast to return to the TTTF to present the situation with a recommended course of action to resolve the capacity shortfall.

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

Scenario 2 – Requests for Additional Firm Service

In circumstances where Westcoast receives a request from a Shipper or prospective Shipper for additional Firm Service for production at a receipt location that is fully contracted on a Firm basis but not fully utilized, the following process would apply.

1. Westcoast or the Shipper or prospective Shipper would notify the TTTF of the request for additional Firm Service and Westcoast would ask all Shippers at the location where the mismatch exists to voluntarily relocate all or some of their Firm Service at their Contracted Receipt Point to the Shipper’s Production Location or to an alternate downstream location that would resolve the capacity shortfall;
2. If the capacity shortfall is resolved by the voluntary relocations, no further action would be required;
3. If the capacity shortfall is not resolved by the voluntary relocations, the following actions would be taken by Westcoast:
 - a) If there is sufficient unutilized Firm capacity at the receipt location to satisfy the request for additional service, Contracted Receipt Points would be relocated to the Production Location or to an alternate downstream location that would resolve the capacity shortfall in priority sequence as follows. First, Contracted Receipt Points for Shippers without production at the receipt location would be relocated *pro rata* on the basis of the Contract Demand for service at the location, up to an amount necessary to satisfy the request for additional service. Second, if necessary, Contracted Receipt Points for Shippers with production at the location and whose Contract Demand at that location is in excess of such Shippers’ requirements (such determination to be made by Westcoast based on a representation by such Shippers) would be relocated *pro rata* on the basis of such excess amount, up to an amount necessary to satisfy the request for additional service.
 - b) If there is insufficient unutilized Firm capacity to satisfy the request for additional service and maintenance capital (for example, returning a deactivated compressor to service) is needed to satisfy the request, then Contracted Receipt Points would be relocated in the priority sequence set out in paragraph a) above. Westcoast would then pursue any required maintenance work.

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

- c) If there is insufficient unutilized Firm capacity to satisfy the request for additional service and expansion capital is needed to satisfy the request, Westcoast would take the following steps:
- (i) An open season would be held;
 - (ii) If the open season confirms that there is insufficient unutilized Firm capacity to satisfy the request, Contracted Receipt Points would be relocated in the priority sequence set out in paragraph a) above;
 - (iii) A reverse open season would occur if necessary; and
 - (iv) Westcoast would then pursue any required expansion work.
4. Westcoast would share information with the TTTF regarding any necessary maintenance or expansion work needed to satisfy the request for additional service and would seek the necessary regulatory approvals for such work following consultation with the TTTF.

In order to preserve current shipper business practices, for temporary assignments of Firm Service with an assignment term of one year or less, no Production Source Relocations will occur. For temporary assignments of Firm Service with an assignment term of more than one year, Production Source Relocations would not occur in the first year of assignment, and would thereafter only occur in accordance with the processes and priorities described in paragraph 3a) above. Westcoast would also consult with assignee Shippers with production at the Contracted Receipt Point location regarding long term service requirements.

Westcoast would continue to require Shippers entering into new Firm Service Agreements to have production at the location of the Contracted Receipt Point in accordance with Article 17 of the General Terms and Conditions. Shippers who are renewing their Firm Service Agreements and Shippers who receive by assignment an existing Firm Service Agreement will also be required to have production at the location of the Contracted Receipt Point unless a mismatch between the Production Location and the Contracted Receipt Point would not cause any system harm or issue at such location. Relocations of such service, if necessary, would follow the process and priorities set out in paragraph 3a) above.

Since April 2017, Westcoast has relocated a number of Contracted Receipt Points. Upon request by affected Shippers, Westcoast will amend such Shippers’ Service Agreements to reflect the Receipt Point applicable in their Service Agreements prior to the relocation.

**TOLL AND TARIFF TASK FORCE (“TTTF”)
ISSUE RESOLUTION SHEET**

ISSUE: T-North Toll Design Subcommittee Outcomes

DRAFT RESOLUTION:

The TTTF agrees to the T-North toll design and service changes proposed herein relating to: (i) Short Haul service; and (ii) the process to manage mismatches between a Shipper’s Production Location and the Contracted Receipt Point.

The TTTF further agrees that Westcoast will prepare and file with the CER the necessary tariff amendments to reflect the proposal set out herein, such tariff amendments to be effective June 1, 2020.

VOTE RESULTS:

The vote at the May 21, 2020 TTTF meeting on IRS 2020-01 resulted in an opposed resolution.