

**WESTCOAST ENERGY INC. (“WESTCOAST”)
TOLL AND TARIFF TASK FORCE
ISSUE RESOLUTION SHEET**

ISSUE: Fuel Efficiency and Emissions Incentive Mechanism

ISSUE STATEMENT:

Changes are required to the Fuel Efficiency and Emissions Incentive Mechanism (“FEEIM”) set out in Appendix D of the 2022 to 2026 Transmission Toll Settlement (“Settlement”) due to the replacement of the CleanBC Industrial Incentive Program (“CIIP”) with the newly designed BC Output-Based Pricing System (“BC OBPS”).

BACKGROUND:

On November 3, 2022, Westcoast entered into the Settlement, under which the parties agreed on the methodology for fixing tolls for mainline transmission services in T-North and T-South for 2022 to 2026. The Settlement was approved by the Canada Energy Regulator (“CER”) on December 21, 2022 by Order TG-010-2022.

Article 2.1(j) of the Settlement states that any incentive payments received by Westcoast resulting from participation in the CIIP (“CIIP Incentive Payments”) for each year of the Settlement Term will be shared between Westcoast and shippers according to the FEEIM set out in Appendix D. It also states that in the event any new legislation, amendments to existing legislation or changes to the CIIP affect the application of the FEEIM, a TTTF subcommittee will be convened to consider whether any changes to the mechanism are required. Any changes to the FEEIM proposed by the TTTF subcommittee must be consistent with the purpose of the FEEIM set out in Appendix D and agreed to by Westcoast and the Stakeholders (i.e., signatories to the Settlement).

Effective April 1, 2024, the CIIP will be replaced with the BC OBPS. On February 15, 2024 Westcoast convened a TTTF subcommittee to discuss changes required to the FEEIM due to the introduction of the BC OBPS. Meetings were held on February 29, March 7, March 14, March 21, April 25, and May 14, 2024. to discuss the required changes.

DISCUSSION:

Westcoast and a majority of the subcommittee have agreed on changes to the FEEIM to accommodate the replacement of the CIIP with the BC OBPS. The changes are consistent with the purpose of the FEEIM set out in Appendix D of the Settlement. Effective April 1, 2024, Westcoast will be entitled to recover a monthly incentive payment of \$825,000 for each month in which the Monthly Fuel Intensity for the Pipeline System is below the Benchmark Fuel Intensity where:

“Monthly Fuel Intensity” is the average amount of fuel consumed in pipeline operations for a month in MMcf/d; and

“Benchmark Fuel Intensity” is the calculated average fuel consumption, in MMcf/d, associated with the average daily delivery volume, in MMcf/d, for the same month represented by the simple linear regression formula determined in each year based on the monthly data from the previous two calendar years less a factor of 3%.

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For each month in which the Monthly Fuel Intensity for the Pipeline System is above the Benchmark Fuel Intensity, Westcoast’s incentive payment will be \$0.

Incentive payments for each month of the year will be aggregated and recovered the immediately following year in equal amounts each month and collected from shippers as part of the carbon tax charges.

Westcoast will report Westcoast’s monthly and cumulative YTD FEEIM incentive amounts to the TTTT on a monthly basis.

DRAFT RESOLUTION:

The TTTT supports the proposed changes to the FEEIM to be effective April 1, 2024.

VOTE RESULTS:

The vote on IRS 2024-02 was taken at a meeting of the Westcoast TTTT on June 20, 2024 and resulted in an unopposed resolution.