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Ms. Erica Hamilton
B.C. Utilities Commission
Box 250, 900 Howe Street
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Vancouver, B.C. V6Z 2N3

Re: FortisBC Energy Inc.
Project No. 3698899 / Order G-6-17 2016 Rate Design Application

Sept 25, 2017

FEI 2016 RATE DESIGN

Further to your December 19, 2016 application on the above noted matter, enclosed please find Cascadia Energy Ltd COSA comments & argument.

Yours truly,

Nick Caumanns
President

Cascadia Energy Ltd. (CEL) submits the following arguments related to COSA and Revenue to Cost Ratios.

These arguments and comments are presented on behalf of the transportation service industrial and commercial customers we represent.

In general CEL contends that customers should be charged rates equal to the costs of serving them. We believe that a cost of service allocation study should be designed and conducted to accurately determine the relative costs of each customer class and that customers should be classed into groups of very similar cost-causation members. In this respect we contend that the basis of the methodology, whether peak day, average flow, or other, should be designed to directly assess and assign costs.

A number of facts pertain:

1. **FortisBC contends the basis for COSA** - FortisBC argues that the correct basis for calculating and assigning delivery costs is the methodology they have used in this filing. Thus this filing determines the actual costs of service for each customer class.

2. **FortisBC has extensive and accurate data** - FortisBC, through historical cost accounting, detailed experience in engineering design, extensive facility construction costing, and other detailed knowledge and information, has access to sufficient data to produce exceedingly accurate data inputs to the COSA study models.

3. **FortisBC has expertise -** FortisBC has the expertise and access to experts consultants to complete a robust COSA that is accurate and complete.

4. **Results show misalignment of rates** - The rate study shows that each customer class is paying rates different from the cost for the class. In fact, in general, industrial rates cross-subsidize residential rates by an excess of $25 Million annually.

Therefore, CEL argues that:

1. FortisBC application of a “range of reasonableness” (ROR) has no basis in either logic or fact. FortisBC provides no rationale for applying the range other than historical precedent. The precedent in this case was set when COS studies were based on a paucity of data, manual calculation and estimating, and other limitations that made a ‘range of reasonableness” tolerable. With these limitations gone, the same approach is no longer supportable.

2. Application of the ROR has consistently undercharged residential customers and overcharged commercial and industrial customers relative to their respective costs of service. This bias towards industry over-paying to subsidize residential markets has no supportable basis in rate making nor the regulatory mandate of the BC Utilities Commission. To suggest that any deviance from unity is “reasonable” requires that calculations are considered coarse and inaccurate or that there exists a mandate to charge rates that cross-subsidize one rate class with another; neither is the case.

3. Rates be adjusted to unity where each class pays 100% of the calculated costs. This includes a reduction in industrial rates and an increase in residential rates. The shift to residential rates amount to well under ten percent but can be phased in over several years to mitigate any concern over rate shock. The corresponding decrease to industrial and commercial consumers can be likewise phased in.

4. FortisBC has made the argument of “user-pay” with respect to other matters in the Rate Design, namely balancing tolerances and charges for imbalance for industrial and commercial transportation customers. This is inconsistent with a ROR approach that - on the basis of nothing more than the suggestion that it is “reasonable’ - we accept a $25 Million annual cross subsidy to the residential core-market customers against the same industrial and commercial transport customers.

As a note to the upcoming portion of the 2016 Rate Design process that deals with transportation related matters, we believe it would be egregious of FortisBC to propose, and for the Commission to accept, the argument that industrial customers be required to accept reduced balancing tolerances on the argument that this is cross-subsidy from core market residential customers while those same industrial customers are required to subsidize core-market residential customers for tens of millions of dollars annually.

Finally, and in addition, over the years since the last complete rate design process a number of features or “benefits” available to industrial and commercial transport customers have been eroded through various proceedings and filings. Balancing changes, or high end charges, have been adjusted upwards, the ability of marketers to sever gas deliveries to a member of a group to protect other members of a group have been erased, and so on.

The erosion of these historical intangible “benefits” to transportation service industrial and commercial customers, in the form of more onerous administrative and business rules, makes justification of such a gross cross-subsidy increasingly difficult.

If it is to be “user-pay” then this should apply equally to customer rates.

Respectfully submitted on behalf of our customers,
Nick Caumanns
Cascadia Energy Ltd.