

# William J. Andrews

## Barrister & Solicitor

1958 Parkside Lane, North Vancouver, BC, Canada, V7G 1X5  
Phone: 604-924-0921, Fax: 604-924-0918, Email: wjandrews@shaw.ca

November 9, 2017

British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street, Box 250  
Vancouver, BC, V6Z 2N3  
Attn: Patrick Wruck, Commission Secretary

By Web Posting

Dear Sir:

Re: FortisBC Energy Inc. Annual Review 2018 Delivery Rates~ Project No.1598919,  
BCSEA-SCBC Final Submission

---

This is the final submission of the interveners B.C. Sustainable Energy Association and Sierra Club B.C. pursuant to the regulatory timetable established by Order G-115-17 [Exhibit A2].

### 1. Background

The present proceeding concerns FEI's application for approval of 2018 rates based on the Commission-approved PBR formula and review of FEI's 2016 performance under the PBR plan. BCSEA-SCBC's interests in this proceeding are as non-profit public interest environmental and energy policy organizations, and as representatives of their members' interests as ratepayers of FEI. BCSEA-SCBC have participated fully in this proceeding. They made information requests to FEI and reviewed FEI's responses. They reviewed FEI's responses to information requests by Commission staff and by other interveners. BCSEA-SCBC reviewed FEI's evidentiary update and they participated in the October 17, 2017 workshop.

### 2. Delivery Rates for 2018

In the application filed on August 4, 2017, FEI sought approval to maintain 2018 delivery rates at approved 2017 levels, holding the delivery charge and basic charge at existing levels. The 2017 delivery rates were in turn at the same levels as the 2016 delivery rates. On September 26, 2017, FEI filed an evidentiary update noting a 2018 surplus of \$7.96 million. FEI continues to propose a 2018 delivery rates freeze, with the revenue surplus to be added to the Revenue Surplus Deferral Account. The balance in the Revenue Surplus Deferral Account will be used to reduce future rate increases. This approach will reduce rate volatility and BCSEA-SCBC support it.

### 3. Deferral Accounts

FEI requests approval regarding five deferral accounts:

- 2020 Revenue Requirement regulatory proceeding - new
- Surrey Operating Agreement regulatory proceeding - new
- Cost of Capital Application - three year amortization period

- RSDA Phase-in Rider Balancing Account and Amalgamation Regulatory Account – transfer to Residual Delivery Rate Riders account
- 2017-2018 Revenue Surplus account – name change

BCSEA-SCBC have reviewed the deferral account approvals and have no objection to approval of them.

FEI also seeks approval of:

- Biomethane Variance Account Rate Rider for 2018, and
- Revenue Stabilization Adjustment Mechanism (RSAM) riders for 2018.

BCSEA-SCBC support approval of the BVA rate rider and the RSAM rate rider for 2018.

### **3. Demand Forecast Methodology**

In 2017, FEI continued to evaluate a potential alternative load forecast methodology called Holts Exponential Smoothing (“ETS”) as required by the Commission in Order G-182-16. FEI used a MAPE metric to compare the outcomes of the status quo methodology and the ETS methodology. It reports the following results:

“...for residential UPC the scores for the two methods are very close. For commercial use rates, the ETS method performed better. For commercial customer additions, the existing method performed better.”<sup>1</sup>

FEI proposes to continue to evaluate the ETS methodology in 2018 in parallel with maintaining the status quo methodology. BCSEA-SCBC agree with that approach.

### **4. PBR Capital Dead Band**

FEI says that “Growth capital has been above the formula each year of the PBR term which has caused capital to exceed the dead band in recent years, [and] Sustainment capital will be close to the formula over the six year PBR term.”<sup>2</sup>

In Decision and Order G-182-16 regarding FEI’s 2017 Rates, the Panel approved FEI’s proposal to remove the amount of formula capital which has exceeded the cumulative dead-band from the earnings sharing calculation, and to add the amount of capital in excess of the dead-band to FEI’s opening 2017 plant additions balance. The Panel decided not to undertake a re-basing hearing, on the ground that the capital amount then project to exceed the cumulative dead-band (\$6.118 million) is not significant enough to warrant the regulatory cost of a re-basing hearing.

FEI recommends the same approach in this 2018 Rates proceeding, that is, not to hold a re-basing hearing but to adjust Opening Plant in Service in 2018 by the amount of capex outside the dead-band. In the October 17, 2017 workshop emphasized three reasons for this approach:

- “Only two years left in the PBR term,
- The PBR Plan is a package of interdependent components,
- Rebasing the capital formula does not result in a better outcome for customers.”<sup>3</sup>

---

<sup>1</sup> Exhibit B-2, p.21.

<sup>2</sup> Exhibit B-10, p.25.

FEI added:

“FEI will propose a new capital base and revised capital formula, or alternative approach to the treatment of capital, in the next PBR Plan where there can be a fulsome review in the context of the PBR Plan as a whole.”

BCSEA-SCBC agree with these reasons and support FEI’s recommendation that the capital amounts outside the dead-band be added to Opening Plant in Service at the beginning of 2018.

### 5. 2016 Earnings Sharing Results

FEI proposes to distribute \$3.462 million in earnings sharing to customers in 2018.<sup>4</sup> BCSEA-SCBC are not aware of any reason not to approved the proposed 2016 earnings sharing results.

### 6. Service Quality Indicators

BCSEA-SCBC have reviewed FEI’s SQI results for 2016 and 2017 year-to-date and have no further comments.

### 7. GHG Emissions from Operational Activities

In the 2015 annual review BCSEA-SCBC suggested that ongoing consideration should be given to adoption in the future of a service quality indicator for GHG Emissions from Operational Activities as a component of the PBR framework. They suggested that a practical and reasonable step in that direction would be inclusion in annual PBR reports of the Estimated Annual GHG Emissions (in tCO<sub>2</sub>e) reported by the Company to the Ministry of Environment. FEI did not object, and in the decision on FEI’s 2015 rates the Commission directed FEI to provide estimated annual GHG emissions (in tGHGe) reported to the Ministry of Environment.

This year, FEI provides the following of FEI reported annual GHG emissions:<sup>5</sup>

Estimated GHG Emission (tCO <sub>2</sub> e)	
2009	161,793 <sup>#</sup>
2010	153,993 <sup>#</sup>
2011	137,059
2012	134,355 <sup>#</sup>
2013	127,940
2014	140,507 <sup>*</sup>
2015	120,997 <sup>*</sup>
2016	124,077 <sup>**</sup>

Source: FEU 2014 LTRP Proceeding, Exhibit B-4, BCSEA 1.18.4; FEI 2015 PBR Annual Review Proceeding, Exhibit B-4, BCSEA 7.1; Current Proceeding, Exhibit B-2, p.145

**Notes:**

<sup>#</sup> Previous values reported for 2009 and 2010 included vehicular emissions. The 2012 value was adjusted slightly from 134,303 to 134,355.

---

<sup>3</sup> Exhibit B-10, p.36.

<sup>4</sup> Exhibit B-2, p.1.

<sup>5</sup> Exhibit B-5, BCSEA 3.1, pdf p.6.

Asked to outline the measures it took in 2016 to control and reduce its GHG emissions, FEI states:

“The 2016 programs designed for the direct reduction of GHG emissions or the improvement in GHG reporting estimates included leak detection and repair (LDAR), as well as a jointly sponsored transmission / distribution industry study on buried pipe leak emission factor estimates. The cost of the LDAR program is estimated to be approximately \$50 to \$100 thousand per year. The cost of the industry study was approximately \$150 thousand and was shared between all participating Canadian member companies.”

In addition, there were both capital and O&M programs carried out that can result in reduced GHG emissions. The programs included a residential meter set redesign and replacement program, call before you dig (i.e. BC One Call), leak detection surveys along distribution lines, as well as the replacement of the compressor engine at the V1 compressor station. These programs are driven by reasons other than GHG emissions reduction, with the potential reduction in GHGs being a co-benefit that cannot be quantified. As a result, the costs of these programs are not attributable to GHG emissions reduction measures.”<sup>6</sup>

Regarding measures to control and reduce its GHG emissions in 2017, FEI states:

“The 2017 programs designed for the direct reduction of GHG emissions or the improvement in GHG reporting estimates are similar to 2016 programs and include LDAR, as well as a jointly sponsored transmission / distribution industry study on buried pipe leak emission factor estimates. FEI is also continuing to participate in industry related studies to improve GHG estimates. The costs of these studies are expected to be slightly higher as year to date expenditures in industry related studies as well as forecast amounts have increased. Additional industry related study expenditures include \$13 thousand for improvements in the estimation of fugitive emissions from residential meter sets, and \$5 thousand for improvements on the vented emission related to gas analyzers.

The 2017 capital and O&M programs resulting in the potential reduction in GHG emissions are similar to past years and include a residential meter set replacement program, call before you dig (i.e. BC One Call) and leak detection surveys along transmission and distribution lines.”<sup>7</sup>

In addition, FEI provides the following information as an undertaken subsequent to the October workshop:

“The total GHG emissions for FEI as reported in the response to BCSEA IR 1.3.1 is based on a number of sources along the natural gas transmission and distribution system. These sources are quantified by:

- 1) Company specific activity data that has had industry emission factors applied to it;

---

<sup>6</sup> Exhibit B-5, BCSEA 3.2, pdf p.7.

<sup>7</sup> Exhibit B-5, BCSEA 3.4, pdf p.8.

- 2) Site specific metered data; or
- 3) Site specific engineering estimates.

The vast majority of GHG emissions from FEI are based upon quantification using company specific activity data that has had industry emission factors applied to it.

In the table below, three examples of sources of emissions from FEI 2015 GHG report are provided. The method of quantification associated with these sources are also provided as are the percentage allocation. Since there are approximately 50 sources, FEI has provided only the most significant ones.

Source of GHG Emission	Method of Quantification	Percent of 2015 GHG Emissions
Third party line hits	Number of incidents and length of time is company/incident specific while the rate of discharge is based on an industry factor	14
Fuel use at line heaters and compressor engines	Site specific metered data	37

Source of GHG Emission	Method of Quantification	Percent of 2015 GHG Emissions
Venting at compressor stations, venting at transmission pipelines, line hits along the transmission pipeline	Engineering estimates	4

BCSEA-SCBC appreciates these informative responses regarding FEI's GHG emissions and measures to control and reduce its GHG emissions.

## 8. Conclusion

This concludes BCSEA-SCBC's submissions regarding FEI's Annual Review and 2018 Delivery Rates.

Yours truly,

William J. Andrews



Barrister & Solicitor  
Encl.