



Ministry of
Energy and Mines

Ref: 79246

July 9, 2013

Ms. Erica Hamilton
Commission Secretary
British Columbia Utilities Commission
Box 250, 900 Howe Street
Sixth Floor
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

I am writing to register the Ministry of Energy and Mines (Ministry) as an intervener in the reconsideration of the British Columbia Utilities Commission's (Commission) decision related to FortisBC Energy Utilities' Common Rates, Amalgamation and Rate Design Application, as established by Order No. G-100-13.

The Ministry supports reconsideration of Order No. G-26-13, as noted in the April 15, 2013 letter from the Ministry to FortisBC supporting their request for reconsideration submitted on April 26, 2013. In the letter the Ministry notes the following:

"From a public policy perspective, the Ministry is of the opinion that a common rate resulting from the proposed amalgamation of FortisBC Energy Utilities will have benefits for all FortisBC Energy customers in British Columbia.

Government policy has been to promote access to energy services on a postage stamp rate basis so that all British Columbians benefit from access to services at the lowest average cost."

The Ministry continues to hold these views, and from a broad policy perspective suggests that common rates as proposed by FortisBC Energy will: (1) provide investment equality across the FortisBC Energy service areas; (2) streamline regulatory requirements allowing FortisBC Energy to more effectively manage its utility; and (3) minimize regional rate impacts by taking advantage of low commodity gas prices predicted for the next several years. These areas are explained in more detail in the Ministry's FortisBC support letter enclosed.

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Documentation related to the reconsideration should be directed to:

Paul Wieringa
Executive Director, Electricity and Energy Efficiency Policy
Electricity and Alternative Energy Division
Ministry of Energy and Mines
Email: Paul.Wieringa@gov.bc.ca
Telephone: 250-952-0651

Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to be 'Les MacLaren', written in a cursive style.

Les MacLaren
Assistant Deputy Minister



Ministry of
Energy, Mines
and Natural Gas

CLIFF NO.: 77536

April 15, 2013

Ms. Diane Roy
Director, Regulatory Affairs - Gas
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

The purpose of this letter is to advise that the Ministry of Energy, Mines and Natural Gas' (Ministry) supports FortisBC Energy Utilities' request to the British Columbia Utilities Commission (Commission) to reconsider the Common Rates, Amalgamation and Rate Design Application Decision (Decision) dated February 25, 2013. The Ministry requests that the FortisBC Energy Utilities include this letter in their application to the Commission for reconsideration.

From a public policy perspective, the Ministry is of the opinion that a common rate resulting from the proposed amalgamation of FortisBC Energy Utilities will have benefits for all FortisBC Energy customers in British Columbia.

Government policy has been to promote access to energy services on a postage stamp rate basis so that all British Columbians benefit from access to services at the lowest average cost.

We provide three examples of the confirmation of this policy. In 1962, BC Electric and the BC Power Commission amalgamated to form the BC Hydro and Power Authority (BC Hydro). In that year, a postage stamp electric rate was established for all residential customers in areas served by BC Hydro. While there were different capacity and energy charges for industrial customers for Vancouver Island and the North Coast from the Lower Mainland, in 1975, postage stamp rates were implemented for BC Hydro. More recently, on May 27, 2003, then Minister Neufeld confirmed the Province's position with regard to postage stamp rates for BC Hydro (see attachment).

Other provinces have seen the amalgamation of natural gas utilities such as Centra Gas in Manitoba. In Manitoba a series of corporate acquisitions and regulatory approvals over a

number of years led to several smaller utilities being amalgamated into one utility (Centra Gas Manitoba, now part of Manitoba Hydro) and eventually to postage stamp rates across the utility. Amalgamation of smaller natural gas utilities has also occurred in Ontario with Ontario Energy Board approval. The predecessor utilities of FortisBC Energy Inc., Inland Natural Gas, Columbia Natural Gas, Fort Nelson Gas and the Gas Division of BC Hydro, were amalgamated and, with the exception of Fort Nelson, have regulatory proceedings on a consolidated basis and postage stamp rates.

The Ministry notes that most interveners for the Common Rates, Amalgamation and Rate Design Application indicated that they were in favour of postage stamp rates with the exception of interveners representing the interests of Fort Nelson Customers. The Ministry also notes that the Industrial Electricity Policy Review Task Force process is considering postage stamp rates and submissions to the Task Force support continuation of postage stamp rates. This point is addressed in further detail below.

Based on a broad public policy perspective, there are three areas where the Ministry supports a reconsideration of the Commission Panel's Decision.

1. Equality of Investment and Job Creation Opportunities:

The Ministry is concerned about the impacts to business mobility in the absence of postage stamp rates. For example, under the current structure, investment in the regions served by FortisBC Energy's Vancouver Island system (Sunshine Coast and Vancouver Island) and Whistler system are disadvantaged by higher rates, in the order of 50% or more than the corresponding commercial rates in the mainland service areas of FortisBC Energy Inc. That means that investors looking to add value to provincial natural gas resources, as supported by the Province's Natural Gas Strategy, by developing opportunities such as liquefied natural gas or chemical production would look elsewhere in the Province to locate. This results in a competitive advantage for the areas served by FortisBC Energy Inc. that has implications for customer fairness from a broader public policy perspective. While many factors may affect the competitive position of commercial enterprises in a particular locale, a disadvantage in the area of energy input costs may be significant and lead to diminished economic development and job creation opportunities as a result.

As part of the Industrial Electricity Policy Review, a Task Force comprised of Messrs. Newton, Ostergaard, and Trumpy has been established. As noted on the website¹ and in the Terms of Reference², industrial economic development and postage stamp rates were raised in the Dawson Creek/Chetwynd Area Transmission Application by

¹<http://www.empr.gov.bc.ca/EPD/Pages/IndustrialElectricityPolicyReview.aspx>

²<http://www.empr.gov.bc.ca/EPD/Documents/Industrial%20Electricity%20Policy%20Review%20Terms%20of%20Reference-FINAL.pdf>

BC Hydro to the Commission. The TaskForce has published a number of Issue Papers including one on postage stamp rates, and has received a number of responses on this issue. For example Canadian Association of Petroleum Producers notes that “[p]ostage stamp ratemaking is a common method of setting rates for many utilities in Canada,” and they see “no reason to change from current postage stamp rate-setting methodology.” The Association of Major Power Customers of BC states that they “[do] not propose any changes to postage stamp rates, and submits that they are practically necessary and an underlying principle to other tariff structures in BC.” Clean Energy BC “fully supports Postage Stamp Rates.”

In May of 2012, the Lieutenant Governor in Council issued the *Greenhouse Gas Reduction (Clean Energy) Regulation*, under s. 18 the *Clean Energy Act* prescribing the circumstances for natural gas incentives and infrastructure for use in the transportation sector. This regulation evidences the province’s desire for increased use of natural gas in the heavy duty transportation sector throughout British Columbia, since the regulation applies to all utilities. From a provincial, price fairness perspective, postage stamp rates would provide consistent pricing for the program resulting in a greater economic incentive throughout British Columbia to use natural gas in the heavy duty transportation sector.

2. Regulatory Efficiency:

Government policy is to achieve reductions in regulatory requirements and red tape. Having only one revenue requirement, long-term resource plan, return on equity finding, service offering applications, and common programs, instead of three separate processes for the three utilities creates savings that can be passed on to customers. Having the two smaller utilities merged with the larger one also effectively spreads risk across a larger organization more able to mitigate/accept those risks, and provides more stable rates to customers over the long term.

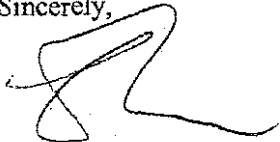
3. Customer Rate Impact:

The Ministry is of the opinion that the next several years will be an opportune time for transitioning to postage rates given forecasts for continued low natural gas commodity prices. This will help minimize rate spikes for customers. The increases of 5% for the majority of customers (which are located in the Lower Mainland, Interior and Columbia regions) are small compared to fluctuations in customer bills that have been driven by changes in the commodity cost of natural gas over the past decade. The current low commodity cost environment is an opportune time to implement postage stamp rates. While there was discussion in the hearing process about the phasing-in of postage stamp rates, the Ministry notes that no consideration was given to what an appropriate level of cost sharing should be by Vancouver Island and Whistler customers from a regulatory fairness perspective. Establishing a postage stamp rate along with appropriate rate riders could ameliorate the impact.

The Ministry is of the view that reconsideration has merit based upon the above discussion. The Ministry intends to seek registered intervenor status should the Commission undertake a reconsideration proceeding.

Thank you for your consideration.

Sincerely,

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Les MacLaren
Assistant Deputy Minister
Electricity and Alternative Energy Division
Ministry of Energy, Mines and Natural Gas

B-47



BC HYDRO
2007 RATE DESIGN EXHIBIT B-47



MAY 27 2003

Ms. Patricia A. Wallace
President
Union of British Columbia Municipalities
60 - 10551 Shallbridge Way
Richmond, BC V6X 2W9

Dear Ms. Wallace:

Thank you for your letter of March 19, 2003 conveying the Union of British Columbia Municipalities' (UBCM) additional views concerning the Government's new Energy Plan: "Energy for Our Future: A Plan for BC."

With respect to electricity rates, the heritage contract will lock in the value of the existing low-cost generation for the benefit of all British Columbians. Low-cost heritage power will be made available to the distribution arm of BC Hydro. It will be blended with other sources of electricity, such as power purchases from independent power producers (IPPs). Customer electricity rates will be set to reflect the average cost of electricity, just as they are set today. To ensure electricity rates are as low as possible, the British Columbia Utilities Commission (BCUC) will review BC Hydro's electricity rates, as well as the contracts between BC Hydro and IPPs, to ensure the contracts represent the best deal for customers.

Electricity rates will be set on a postage stamp basis. This means all customers within a particular customer class will receive the same rate, regardless of their location in the Province. New rate structures will be developed, initially for large customers, to provide them with an opportunity to save on their electricity bills through efficiency investments, load shifting, or sourcing their electricity from other suppliers. I wish to stress these new rates are to provide large customers with an opportunity to reduce their electricity costs, not to increase their costs.

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BCUC reviews are public reviews, and all stakeholders, including local governments, are welcome to participate and to provide input. The BCUC is currently reviewing the Vancouver Island Generation Project, proposed for Nanaimo, as well as the terms of the proposed heritage contract. The UBCM and its members are welcome to participate in these proceedings. BC Hydro will also apply to the BCUC for a rate review by March 2004, and local governments are welcome to participate in that process as well.

The contact for background information on the BCUC, and how to participate in the ongoing Vancouver Island Generation Project and heritage contract reviews, is as follows:

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3
Telephone: (604) 660-4700
Facsimile: (604) 660-1102
BC Toll Free: 1-800-663-1385
Website: <http://www.bcuc.com>

With respect to local government involvement in IPPs siting and development, regulatory agencies, such as the Environmental Assessment Office and Land and Water British Columbia Inc., always confer with local governments during the review of proposals. Local governments have authority over local zoning and planning issues and, as such, can influence how or where projects are developed. As you may know, new legislation is being considered that will require proponents to work with local approval authorities to resolve issues. I understand you have had discussions on this issue with Honourable Kevin Falcon, Minister of State for Deregulation.

On the issue of communities producing some or all of their own power, there is nothing in the Energy Plan preventing this type of activity. Municipally owned utilities are not subject to regulation by the BCUC for the electricity services they provide within municipal boundaries. However, service outside municipal boundaries is subject to BCUC regulation. There are currently six municipal utilities in British Columbia. Except for the City of Nelson, which owns a hydro-electric generating station on the Kootenay River, these utilities source their power primarily from Aquila Networks Canada and BC Hydro.

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The issue of revenue sharing is a complex one which will evolve. Accordingly, I am not able to provide you with further information at this time. However, you may be aware the new BC Heartlands Economic Strategy, announced in the Throne Speech, will see economic development plans implemented across the Province, including investments in transportation infrastructure, new opportunities for tourism, sport and recreation, and a revitalized forest industry. As well, there will be job creation in coal bed methane, and further activity in oil and gas exploration and development.

Your comment with regard to local government grants-in-lieu is noted. The Energy Plan addresses your comments regarding resource adequacy, alternative energy, and energy conservation, in a number of ways. For example, utilities, including BC Hydro, have a responsibility to ensure they have sufficient supply to meet the needs of their customers. The BCUC, as part of its supervisory functions, will review utility plans to ensure utilities have adequate resources to meet their customers' demands for electricity.

Alternative energy development is encouraged by the Energy Plan's requirement that electricity distributors pursue a voluntary goal to acquire 50 percent of new supply from BC Clean Electricity over the next 10 years.

The Energy Plan also has a number of Policy Action items to promote conservation. These include:

- updating and expanding the *Energy Efficiency Act*;
- working with the building industry, governments and others to improve energy efficiency in new and existing buildings;
- stepped rates to provide better price signals to large electricity consumers; and
- amending the *Utilities Commission Act* to remove a disincentive for energy distributors to invest in conservation and energy efficiency.

I trust this letter (along with my previous letter to you of March 5, 2003) will clarify the issues raised by the UBCM Executive.

Sincerely,

ORIGINAL SIGNED
BY MINISTER

Richard Neufeld
Minister

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