REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: **1**
TO: **FortisBC Energy Inc.**
DATE: **May 11, 2017**
PROJECT NO: **3698899**
APPLICATION NAME: **FortisBC Energy Inc. 2016 Rate Design Application**

1.0 Topic: Climate Leadership Plan
Reference: Exhibit B-1, 5.4 Government Policy, p.5-3, pdf p.77

"One of the major developments since FEI's rate design proceeding in 2001 is the implementation of the provincial government's climate action and energy policies. The overall thrust of these policies for FEI is twofold: (i) to promote energy efficiency and conservation through demand side [management] and tax measures to curb GHG emissions; and (ii) to promote the role of natural gas in the transportation sector."

BC issued a Climate Leadership Plan in August 2016:
https://climate.gov.bc.ca/app/uploads/sites/13/2016/10/4030_CLP_Booklet_web.pdf

The Climate Leadership Plan is not mentioned in the Application.

1.1 Please file a copy of the Province's Climate Leadership Plan.

1.2 Please confirm that the Climate Leadership Plan is a component of the government policy framework applicable to FEI's rates and rate design. Alternatively, please explain.

1.3 FEI describes one of the two thrusts of the government's climate and energy policies as being "to promote energy efficiency and conservation through demand side [management] and tax measures to curb GHG emissions." Does FEI agree that the Climate Leadership Plan heightens the support in government policy for low-carbon electrification (aka low-carbon fuel switching) as a method of reducing GHG emissions?

1.4 Does FEI consider that rate design evaluation requires consideration of any change would affect the opportunities for low-carbon electrification?

1.5 In FEI's view, what are the implications of the Climate Leadership Plan for FEI's rate design application?

2.0 Topic: Inclining block rate structures
Reference: Exhibit B-1, p.7-1, pdf p.126

"FEI conducted a full review of the rate design for the residential rate class, which takes service under RS 1, RS 1U, RS 1X and RS 1B[102] (collectively referred to in this section as RS 1), guided by the legal context, rate design principles, government policy, and informed by FEI's data analysis, jurisdictional comparisons and feedback from the stakeholder engagement process. FEI's review of the RS 1 rate design considered the potential rate structure options for residential customers (i.e., flat, declining or inclining block) and the possible blends of fixed and volumetric charges."

2.1 Please provide the results of FEI's jurisdictional comparisons regarding residential conservation-oriented rate design options such as inclining block rate structures.

2.2 Please provide the results for other customer classes if available.

2.3 Please explain FEI's rationale for not pursuing a conservation-oriented inclining block rate structure for residential, commercial and industrial customer classes.

3.0 Topic: Residential basic charge
Reference: Exhibit B-1, 7.8.1, p.7-22

FEI proposes a one time 5% increase in the residential basic charge and a corresponding decrease in the residential volumetric delivery charge in order to "[i]mprove[] the alignment between the fixed costs allocated to the residential rate schedule and the fixed charges recovered from residential customers."

FEI says that:

> "...a one time 5% increase in the Basic Charge is not significant enough to discourage customers from engaging in energy savings activities. This is because a significant portion of FEI's costs continue to be recovered through volumetric charges and FEI proposes that future revenue requirement increases will continue to be allocated to the volumetric Delivery Charge."

3.1 Does FEI acknowledge that, directionally, the proposal to increase the residential basic charge runs counter to the objective of promoting conservation and efficiency? Alternatively, please explain.

3.2 Please confirm that FEI has not provided empirical evidence that the one-time 5% increase in the basic charge would not significantly reduce conservation and efficiency measures.

3.3 Please confirm that the proposed increase in the basic charge would increase the bills of the customers whose consumption is below a breakeven point would reduce the bills of customers whose consumption is above the breakeven point.

3.4 Would FEI object to a suggestion that the residential basic charge <u>not</u> be the subject of a one-time 5% increase at this time? If so, please explain why.

4.0 Topic: Cost of Service, Allocation
Reference: Exhibit A2-2, Elenchus Research Associates, Review of FortisBC Energy Inc Cost of Service Allocation Studies for the 2016 Rate Design Application, pp.21-22

"There are three approved projects that FEI expects to have in service in 2018 for which their costs have been included in the COSA study:

- Lower Mainland Intermediate Pressure System Upgrade
- Coastal Transmission System Upgrade

• Tilbury Expansion

Only the Tilbury project has associated revenues and FEI has used a ten year levelized margin approach to reflect the impact of the project on FEI's customers."

"The 10 year horizon used by FEI in its COSA study to reflect the impact of the Tilbury Expansion project is not consistent with standard practice. Utilities undertake new investments on an ongoing basis and as a result the revenue requirement in any year includes costs for older assets that have a diminished impact on the total revenue requirement as well as new assets that have a high initial impact. Except in extraordinary cases, it would be inconsistent to levelize the costs of a single project while not levelizing the costs associated with other investments. Elenchus is not aware of any unique aspects of the Tilbury Expansion Project that make its impact on customers generally, or any class of customers, that justify exceptional treatment of this project in the form of levelizing its costs for purposes of the COSA."

4.1 What is FEI's response to the comment by Elanchus quoted above?

4.2 Has FEI determined what would be the effects on the cost of service results of not levelizing the costs of the Tilbury Expansion project? If so, please describe the effects. If not, please explain why not.

5.0 Topic: Bypass agreements
Reference: Exhibit B-1, p.2-2; Exhibit A-8, BCUC IR 25

5.1 FEI's bypass agreements are approved by the Commission. Please clarify whether renewals of bypass agreements are approved by the Commission.

5.2 Please provide a table showing the renewal year for each of the bypass agreements.

6.0 Topic: Fort Nelson, Renewable Natural Gas
Reference: Exhibit B-1-1-1, p.13-21, pdf p.27

"The unbundling of rates allows customers to see on their bill the different components that are set out in the rate schedules (i.e. commodity, midstream and delivery), including changes in a particular component from one period to the next. Unbundling the rates in this manner provides transparency into the different components of customers' bills and provides Fort Nelson customers with the ability to participate in other services that require unbundled rates in the future, such as the Renewable Natural Gas program (subject to Commission approval on a potential separate future application)."

An "Effective Date" of June 1, 2018 is indicated on the proposed Biomethane rate schedules: Rate Schedule 1B (Residential Biomethane Service), pdf p.86, Rate Schedule 2B (Small Commercial Biomethane Service), pdf p.104, Rate Schedule 3B (Large Commercial Biomethane Service), pdf p.122, Rate Schedule 5B

(General Firm Biomethane Service), pdf p.191, and Rate Schedule 11B (Biomethane Large Volume Interruptible Sales Agreement), pdf p.289.

"FEI is seeking to implement its proposed rate design changes effective June 1, 2018." [Exhibit B-1, p.2-5]

BCUC IR 1.1 asks about a potential August 1, 2018 effective date. [Exhibit A-8]

6.1 What is FEI's current thinking about the timing of implementation of biomethane rate schedules for Fort Nelson (on the assumption that the Commission approves the proposed unbundling)?

6.2 Is it FEI's objective to have the rate changes (associated with the rate design changes) and the availability of the biomethane program occur on the same date?

6.3 How long after the Commission provides a decision on the Rate Design Application would FEI anticipate filing an application for approval of biomethane rates for Fort Nelson?