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BY E-FILING

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British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Mr. Wruck

**Re: British Columbia Utilities Commission
FortisBC Energy Inc. and City of Surrey Applications for
Approval of Terms for an Operating Agreement
Project No. 1598915**

We write on behalf of the City of Surrey (the **City**) to respond to certain incorrect comments FortisBC Energy Inc. (**FEI**) made in its submission on further process as filed with the Commission on October 13, 2017 (Exhibit B1-10). We believe that it is important to address these FEI comments because FEI incorrectly describes the City's position on a key issue in this proceeding. Specifically, at page 2 of its submission FEI said the following about the City's filing of a report by Aplin Martin Consultants¹:

“The Aplin report provides information about the City of Surrey’s costs in support of the operating fee it is seeking. The City of Surrey should really have included such information with its original application, rather than waiting for IRs. We have no objection to the Aplin report remaining as part of the record, but FEI must have an opportunity to address it.”

FEI’s contentions that the City submitted the Aplin Martin report in support of the operating fee the City requests and that the City should have included such information with its original application are not correct.

The City engaged Aplin Martin and submitted their report in response to Commission information request (**IR**) 1.4.2 which asked the City for detailed quantification of its anticipated costs related to FEI’s activities within the City.

¹ The City filed the Aplin Martin report as an attachment to the City's response to BCUC IR 1.4.2 in this proceeding.

The City has been clear that the operating fee it requests is calculated on the same basis as the operating fees FEI is currently remitting to 75 other municipalities in the province (*i.e.*, 3% of gross revenues excluding taxes), none of which are calculated on the basis of the respective municipality's costs.

In its application to the Commission, FEI attempted to estimate the City's costs "under the premise that this amount [the operating fee] should be reflective of the activity level within the City in recognition of the impact of our activities on Surrey...".² It was FEI that put in issue the City's costs as a result of FEI's activities within the City.

We continue to believe that FEI's assumption that the operating fee should reflect a detailed assessment of the municipality's costs is not right because it goes against the precedent of all 75 of FEI's operating agreements with operating fees.

The Aplin Martin report is not central to the City's requested operating fee. It was submitted in response to the Commission's IR. The City considered it prudent to provide the requested information as evidence if the Commission ultimately decides in this proceeding that the novel approach put forward by FEI for the City's operating fee will be the new rule in British Columbia or a unique rule for the City of Surrey. However, please note that due to the limited time constraints for responding to the Commission's IR, Aplin Martin's assessment underestimates the City's costs in that it does not include a cost quantification of the City's operating costs.

For the reasons set out above, FEI's suggestion that the City should have included this cost information with its original application is incorrect.

Yours very truly,

LAWSON LUNDELL LLP



Ian Webb

cc. FEI counsel

² Exhibit B1-1-1, FEI Application, at p. 15, lines 6-8 (underlining added).