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British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street  
Box 250, Vancouver, B.C.  
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

### **Procedural Submission Response**

FortisBC Inc 2017 Cost of Service Analysis and Rate Design

Dear Mr Wruck:

KSCA81 wishes reiterate its position that some of the deadlines being set by the Commission panel in this hearing are unrealistic given the volume of material that has to be read and digested. The BCSEA IR#1 response alone is 670 pages long, that for BCUC 371 and that for the remaining interveners 500, for a grand total of 1,507 pages, and that does not include all the reference documents that FortisBC refers to in some responses.

We therefore wish to underscore to the Commission panel that KSCA81 is composed of lay persons who are trying to comprehend some highly technical and difficult to understand information, so that we can prepare and ask intelligent and appropriate information requests. In this instance we observe that procedurally FortisBC asked for and was granted a two week extension because of the sheer volume of material it had to prepare responses for, whereas when KSCA81 indicates that the time frame, given the volume of material, is problematic for our ability to digest and comprehend all the information being presented, our concern is dismissed out of hand.

KSCA81 neither desires to slow down nor prevent the Commission from making a decision in a timely manner, but observes that if the Commission asks KSCA81 to work at a pace beyond our physical endurance and mental capacity, many more mistakes will be made in our submissions to the Commission panel which will inevitably lead to delays in this hearing. KSCA81 therefore repeats its request that the Commission panel give lay interveners sufficient time to read, absorb and digest, and then formulate responses. That said:

1. What the appropriate timing of intervener evidence is and why?

a. After a second round of FortisBC IRs.

b. Why? KSCA81 believes that the role of intervener evidence is to provide information that the FortisBC application and IR responses have failed to supply so that the Commission panel can make a more informed decision.

If KSCA81 is required to file evidence before a second round of IR responses, it will be procedurally unfair because we will have no right to present evidence as a rebuttal to those second round responses. Further, KSCA81, in combination with the issue of timing, may end up duplicating certain evidence contrary to 10.02 of the Rules of Practice and Procedure, and also end up duplicating material sought in information requests contrary to section 13.04.

2. Whether or not parties intend to file intervenor evidence. Parties must specifically identify the nature of the evidence they intend to file and explain how this evidence is relevant to the issues in the proceeding.

a. Yes, KSCA81 will be presenting evidence

b. COSA

i. Lazar, Jim, Dividing the Pie: Cost Allocation, the First Step In the Rate Design Process - includes a comparison of Minimum System-Zero-Intercept, Basic Customer and Peak and Average COSA methodologies, a critique of Non-Coincident Peak Demand Billing, a quote from James Bonbright, which in part says "*...the inclusion of the costs of a minimum-sized distribution system among the customer related costs seems to me clearly indefensible...*" (Principles of Public Utility Rates, 1961, p 348), and a quote from Garfield and Lovejoy from 1964 that includes "*...the longer the period of time that a particular service pre-empts the use of capacity, the greater should be the amount of capacity costs allocated to that service...*" (Public Utility Economics, p 163).

ii. Lazar, Jim, Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs

iii. Fixed Charges and Utility Customers, Synapse Energy Economics - includes quotes from 2015 rulings by Missouri, Minnesota and Washington State Utility Commissions and another quote from James Bonbright from Principles of Public Utility Rates, 1961, p 336.

The above three texts lay the theoretical groundwork for showing that the COSA methodology currently being used by FortisBC fails to allocate the appropriate level of capacity charge to customers, consequently overcharging low end users and in the case of the residential class, also treating the overwhelming majority of low income customers as if they have the same service cost as high end service users with higher capacity demands, contrary to the principles outlined by Garfield and Lovejoy.

iv. Final Minimum System Analysis, Economic and Engineering Services Inc, June 24th, 1992 - includes a comparison of 1981 and 1992 Conductor, Transformer and Power Pole analyses, showing the radical swing from demand to customer cost allocation by West Kootenay Power.

v. Email correspondence with Jason Ball, Deputy Assistant Director, Energy Resource Economics & Reliability, Washington Utilities and Transport Commission - includes information on allowed COSA methodology and allowed components of Basic Customer Charge as a follow up to FBC response to KSCA81 IR#1.2.1.

c. Basic Customer Charge and Rate Design

vi. Exhibit 12: British Columbia Consumer Price Index Annual Averages, Selected Items, 2008-2017 - includes comparison of All-Items and Electricity prices

vii. Exhibit 13: Consumer Price Index British Columbia 1980-2017

In the absence of complete information from FortisBC, KSCA81 IR#1.1.11.1 and IR#1.1.11.2, on their Basic Customer Charge and rate increases from the 1990's to today, there is a need to present data that shows that electricity costs are increasing faster than residential customers' fixed and low incomes, to the extent that basic electrical service is becoming unaffordable and thus requiring a re-think of rate design so that it is affordable for *all* economic segments of the residential class of

customers.

viii. Exhibit 14: McShane, Kathleen C., Opinion on Cost of Capital, Foster and Associates, Inc, September 1999 - includes a discussion on customer choice granted to both wholesale and large industrial customers in 1998 which is appropos vis-a-vis section 59 (2) (a) and (b) *Utility Commission Act*, S. Roberts letter of comment at E-10 and KSCA81 IR #1 section 7.

ix. Table Basic (Customer) Charge costs, Shadrack/Bauman household 2006-2023 - includes information on annual Basic Customer Charge costs and as a percentage of total bill, annual energy costs and per kWh cost, total per kWh cost and annual MWh useage. Since 2006, and if the projected FBC Basic Customer Charge (BCC) is allowed, the Company's BCC will have increased by 77.6% between 2006 and 2023, whereas the BC Consumer Price Index between 2006 and 2017 has only increased by 18.7%.

The above is a preliminary list, noting that KSCA81 reserves the right to provide further evidence by the time of any set evidentiary deadline as a means to help fill in any information gaps so the Commission panel can make a more informed decision.

3. Whether or not a second round of IRs is necessary and why. If a second round of IRs is required, please identify any topics which do not need to be included in IR No. 2 and can proceed to written argument

a. Yes, a second round of IRs is now necessary as a follow up on FBC's first round answers and KSCA81 would need at least ten working days (excluding weekends) to prepare those second round IRs.

b. KSCA81 now believes that with the receipt of FBC's updated response to IR#1.15.1, it could move to argument stage on the proposed TOU residential rates, but would prefer to be given an opportunity to ask some supplementary questions first.

Beyond that, KSCA81 has, as yet, not completed a thorough read of IR#1 responses, including cross-comparing responses, reading errata and pertinent reference materials, and then consulting on the information currently provided.

c. In the above context KSCA81 provides a list of information and/or clarifications it seeks in order to be able to provide the Commission panel with cogent arguments for consideration, prior to it, the panel, making an informed decision:

i.a. Appropriateness of Minimum System methodology as per L. Symmes E-16

i.b. Follow up on FBC response IR#1.1.3 seeking clarification on the correlation between annual energy demand and coincident peak demand for tariff 21/22 commercial, tariff 31 large commercial transmission, tariff 30/32 large commercial primary, tariff 40 wholesale primary, irrigation, tariff 41 wholesale and tariff 41 wholesale transmission in allocating costs to each class and setting their rates.

i.c. Follow up FBC response IR#1.1.4. seeking clarification on the capacity implication given that industrial and commercial class energy consumption expanded by 57.9% and 33.2% respectively between 2009 and 2016.

i.d. Follow up to FBC response IR#1.1.5 seeking clarification on FBC production plant versus purchase costs in terms of cost allocation and rate setting.

i.e. Follow up to FBC response IR#1.1.12 seeking further information on termination of WKP electric heat program

i.f. Follow up to FBC response to IR#1.1.13 and 1.1.14 seeking clarification on the reason behind an increase in the collection of fixed costs, via a Basic Customer Charge, from 33.6% in 1997 to 45.1% in 2017, and whether the customer costs allocated to residential customers accurately reflect the costs incurred depending on the capacity required to service each individual customer.

i.g. Request for clearer information on where low income households, as defined by the legal definition found in the Demand Side Measures Regulation of the *Utility Commission Act*, fit within the consumption segments presented in Table 6-10, as per concerns expressed by Kaslo Food Hub, North Kootenay Lake Community Services E 20, Lorna Louise E 11-1 and Kate O'Keefe E-18.

i.h. Supplementary follow up to FBC response to KSCA81 IR#1.1.15, seeking clarification in accordance with the principles outlined by Garfield and Lovejoy as a means to ensure that TOU rates are designed so as not to cause intra-class subsidization - as per letter of comment critique of David de-Basio E-7 and C McCormick E-12 and follow up to FBC responses to IR#1.2.5.3 and #1.2.5.4, including cross-referencing with the responses to BCUC IR#1.80.1, IR#1.82.2 and IR#1.83.2.

ii. Service information request issues related to redacted materials that KSCA81 thought filed with BCUC April 19th, after originally being filed as in-camera materials prior to the March 29th deadline, E Beix E-17 and S Kubara E-19 and KSCA81 IR#1.3 section.

i.j. Reconciling FBC response to BCOAPO in IR#1.25.3 to KSCA81 response in IR#1.4.1.

In conclusion KSCA81 also agrees, in part, with the submission of AMCS/RDOS when it states:

*"AMCS/RDOS sees more value in an oral hearing and an opportunity for cross-examination".*

This option might do more to speed up the hearing process than having a second round of written IRs.

All of which is respectfully submitted,  
Andy Shadrack  
for KSCA81