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January 8, 2016

Via Email
Original via Mail

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary and Director

Dear Ms. Hamilton:

Re: British Columbia Hydro and Power Authority (BC Hydro) 2015 Rate Design Application (the Application)
FortisBC Energy Inc. and FortisBC Inc. Final Argument for 100 Percent Part 1 Pricing for Medium General Service (MGS) and Large General Service (LGS) New Accounts

In accordance with Order G-175-15 issued in this Application, FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) submit the following final argument with respect to BC Hydro's proposal for 100 percent Part 1 pricing for new accounts in MGS and LGS effective January 1, 2016.

FortisBC submits that based on the evidence provided by BC Hydro, the Commission should approve the 100 percent Part 1 pricing for new accounts in MGS and LGS effective January 1, 2016 as applied for because the proposal is fair and reasonable, is consistent with Order G-142-15 and there is no reason to expect under the proposed 100 percent Part 1 pricing approach that there will be gaming by new MGS/LGS accounts to avoid the long-run marginal cost (LRMC)-based pricing in the Part 2 rate.

Each is further explained below.

Fair and Reasonable

BC Hydro stated in its evidence that this proposal recovers BC Hydro's embedded costs and does not harm other ratepayers.¹ In Exhibit B-3, BC Hydro also noted that the implementation of this proposal does not affect F2016 revenue requirements.² With regard to the impact on load, BC Hydro stated that this proposal will have little impact on conservation as the first year load from new accounts is a small component of total class load.³

Further to the evidence provided by BC Hydro on this issue, FortisBC also notes that 100% Part 1 pricing for the initial twelve months for new MGS/LGS customers is aligned with (or analogous to) the treatment of new Rate Schedule (RS) 1823 customers. That is, new RS 1823 customers are put on a flat rate for their initial twelve months of service to establish their baseline load (called the "Customer Baseline Load" or CBL) and then are moved to the stepped rate after that. New RS 1823 customers therefore do not experience any LRMC-based pricing in their first year of operation. In contrast, the current 85/15 pricing arrangement for new MGS/LGS customers means that these customers are exposed to 15% Part 2 (i.e. LRMC) pricing right away, thus no opportunity to establish a baseline is given them.

Based on the evidence discussed above, FortisBC submits that the proposal is fair and reasonable.

Consistent with Order G-142-15

The Commission has recently reviewed a complaint regarding the current 85/15 Pricing applicable to MGS and LGS new accounts.⁴ In review of that matter, the Commission determined in Order G-142-15 that the rates applicable to the customer should be equivalent to the rates that would have been calculated using the respective baselines of the acquired assets. BC Hydro has stated that the proposal for 100 percent Part 1 pricing is consistent with the Commission decision in Order G-142-15 to not apply the MGS and LGS new account rates where the acquired assets have an existing baseline.⁵

FortisBC agrees that this proposal is consistent with that directive in Order G-142-15.

Customer Gaming

Based on the evidence provided by BC Hydro⁶, FortisBC believes that a change to 100 percent Part 1 pricing for the first year of operation for new MGS/LGS accounts is unlikely in future years to result in customer gaming to avoid Part 2 pricing.

¹ Exhibit B-1, p. 6-71.

² Exhibit B-3, p. 5

³ Exhibit B-5, BCUC IR 1.90.2

⁴ Order G-142-15 was issued November 3, 2015

⁵ Exhibit B-3, p.4 and 5

⁶ Exhibit B-1, p70-71 and Appendix C4-A (starting at p.561 of 813), and Exhibit B-5, BCUC IR 1.77.1

Based on the above, FortisBC submits that the proposed 100 percent Part 1 pricing for new accounts in MGS and LGS is just and reasonable and should be approved.

Sincerely,

on behalf of FORTISBC

Original signed by: Michelle Carman

For: Diane Roy

cc (email only): Registered Parties