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November 7, 2018

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary
and Manager, Regulatory Support**

Dear Sirs/Mesdames:

**Re: FortisBC Inc. ("FBC") 2017 Cost of Service Analysis and Rate Design Application ~
Project No. 1598939**

We are counsel to the Commercial Energy Consumers Association of British Columbia (the "CEC"). Attached please find the CEC's Final Submissions with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION



Christopher P. Weafer

CPW/jj
cc: CEC
cc: FortisBC Inc.
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS
ASSOCIATION OF BRITISH COLUMBIA**

FINAL SUBMISSIONS

**FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application ~
Project No.1598939**

November 7, 2018

Commercial Energy Consumers Association of British Columbia

**FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application
Project No.1598939**

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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA
FINAL SUBMISSIONS**

**FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application
Project No.1598939**

The Commercial Energy Consumers Association of BC (“CEC”) represents the interests of ratepayers consuming energy under Commercial tariffs in applications before the BC Utilities Commission (“BCUC” or “Commission”).

FortisBC Inc (“FortisBC” or “FBC”) has applied to the Commission for approval of its 2017 Cost of Service Analysis (“COSA”) and Rate Design Application (“RDA”).

FortisBC has filed the 2017 Rate Design Application (“RDA”) under sections 58, 59, 60 and 61 of the *Utilities Commission Act* (“UCA”).

FBC states that it has considered a number of government policies, laws and regulations as well as previous BCUC rate design-related decisions, particularly Commission Decisions G-156-10 and G-196-10. In FBC’s view there are no conflicts with existing policies, legislation and/or regulations.¹

The CEC has participated in the proceeding and provides the following submissions for the Commission’s consideration.

APPROVALS SOUGHT

1. FBC seeks multiple approvals relating to most rate classes as well as changes to the General Terms and Conditions. The requested approvals are provided in the Application at pages 11-13 and amended in Exhibit B-1-4.
2. They are proposed to be effective within a practicable time frame after such approval is received.²
3. In particular they seek:
 - Adjustments to the fixed charges contained in the Commercial, Wholesale, Industrial and Irrigation rates where, as noted in the Application, consideration of COSA allocations on a unit cost basis indicates that adjustments to the fixed charges contained in those rate schedules will improve consistency among rate classes;
 - Adjustments to the energy rates contained in the Commercial, Wholesale, Industrial and Irrigation rates that are driven by the fixed charge changes noted above;

¹ FBC Final Submissions page 3

² Exhibit B-1, page 11

- For Residential rates, a return to a flat rate accomplished through five annual reductions in the ratio of the Tier 2 to Tier 1 rate, an increase in the RS01 Customer Charge so that it matches the RS03 Customer Charge, and the re-introduction of an optional Time-of-Use (“TOU”) rate; and
- Changes to the existing optional TOU rates to reflect the current and projected load and cost circumstances of FBC.³

SUMMARY POSITION

4. The CEC is of the view that the FortisBC COSA assessment is sound and has been conducted according to the proper theories and relevant principles and with the most up to date information reasonably available. Accordingly, the CEC submits that the COSA information, and the Revenue to Cost ratios developed thereby, represent the best evidence that the Commission has at its disposal.
5. The CEC submits that the Commission should rely on this information and apply its judgements and discretion in determining whether or not to rebalance.
6. The CEC recommends that the Commission disregard the +/- 5% Range of Reasonableness as proposed by FortisBC.
7. The CEC submits that it would be appropriate for the Commission to consider the consistency of the R:C ratios over time in determining the appropriate weight to assign the R:C ratios, as one input into the assessment of when and how much to rebalance.
8. The CEC submits that, in the absence of other factors, all rebalancing should be undertaken towards unity as the fairest objective using the best available information.
9. The CEC recommends that the Commission direct FBC to rebalance towards unity at this time and in the future.
10. The CEC supports FBC’s proposed rate changes related to Fixed Cost Recoveries as being appropriate and moving towards increased fairness.
11. The CEC points out the balance of concerns regarding the move to Flat Rates for the residential sector.
12. The CEC notes that FBC has identified significant customer concerns with the Residential Conservation Rate which support a change.
13. The CEC submits that BCSEA has provided credible evidence as to why the RCR might be maintained.

³ FBC Final Submission page 3

14. The CEC recommends that the Commission request FBC to continue to conduct further customer awareness and understanding activities should the Commission decide to continue with the RCR.
15. Should the Commission determine that it is best to move to a flat rate schedule, the CEC recommends that the Commission approve the proposal provided by FBC.
16. The CEC supports FBC's proposals with regard to Commercial, Wholesale and Irrigation rate classes, but recommends that the Commission require a phased approach or other mitigation for increases in RS 21 that exceed 10%.
17. The CEC supports FBC's proposals with regard to Transformation Discounts, Transmission services and Optional Time of Use rates.

COST OF SERVICE AND RATE REBALANCING

18. FBC provides its review of its COSA and rate rebalancing in Section 5 of the application.
19. EES Consulting ("EES") provided the COSA for FBC.⁴
20. The methodology from the 2009 COSA and associated Commission decisions were considered as a starting point when filing the 2017 COSA and RDA. EES also comments on several changes over the last 8 years which impact the 2017 FBC COSA⁵ and which have been accounted for.
21. The inputs and assumptions are laid out at pages 40-41 of the application and include the following:
 - The total approved 2017 Revenue requirement was \$360.7 million, which includes an offset of \$9.5 million in revenues from sources other than electric rates.
 - A 2017 mid-year rate base of \$1.28 billion upon which the 2017 approved Revenue requirement was based. The rate base includes mid-year Gross Plant of \$1.9 billion, which is offset by accumulated depreciation and customer contributions.
 - Average total customers for 2017 of 133,853 and gross energy consumption of 3.3 million MWh.
 - The winter system peak is forecast at 761 MW and a peak of 634 MW is expected during the summer months.

⁴ Exhibit B-1, page 41

⁵ Exhibit B-8, BCUC 1.21.2

- Monthly power supply costs were classified as demand-related or energy-related based on the demand and energy charges for electricity supply from BC Hydro under Rate 3808, and allocated on a monthly basis (as described further in Section 5.1.2.2.2 Production/Power Supply Expenses).
- Distribution plant was classified based on a "minimum system" approach. A peak load carrying capability (PLCC) credit was applied to correct for the inherent double counting of demand with the standard minimum system study.
- Demand-related transmission costs were allocated using the 2 CP (coincident peak) method (sum of 2 winter and 2 summer peaks).

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22. The EES COSA report is provided in Appendix A of the application and describes the functionalization, classification and allocation methodologies employed. Primary functional categories include production, transmission, distribution and general. FBC does not use 'Customer Care' as a separate function but instead treats it as a distribution function, which is consistent with the 2009 COSA and accepted by the Commission.⁷ The CEC understands that including Customer Care as a separate function would not necessarily impact the R:C ratios of the various customer classes.⁸
23. Classification identifies the portions of costs related to demand, energy or customer.
24. The allocation exercise assigns costs to specific customer classes.
25. Unless otherwise discussed in these submissions, the CEC is satisfied with the inputs and assumptions as provided by FBC.
26. The CEC has reviewed the evidence related to the COSA methodologies and finds it to be appropriate.

Minimum System Study

27. Distribution plant was classified based on a 'minimum system' approach using a Peak Load Carrying Capability ("PLCC") adjustment. The PLCC adjustment is calculated according to the minimum size selected for use.⁹
28. The approach reflects the philosophy that the system is in place in part because there are customers to service throughout the service territory, and that a minimally-sized distribution system is required even if they only use 1 kWh of energy per year. Customer connections each attract an equal allocation of the minimum system, plus each customer class is allocated demand costs based on the non-coincident peak. The customer class' non-coincident peak can be argued as being too large, because a portion of the peak

⁶ Exhibit B-1, pages 41-42

⁷ Exhibit B-13, CEC 1.9.2

⁸ Exhibit B-25, CEC 2.51.2

⁹ Exhibit B-8, BCUC 1.28.1

demand-related costs are covered through the minimum system allocation. Accordingly, the PLCC adjustment is utilized to correct for the possibility of over-allocating demand.¹⁰

29. FBC's minimum system approach, with the PLCC adjustment, reflects the theoretical advantages of the minimum system and zero intercept approaches. It does allocate more costs to residential and other small customers than the 100% demand approach, but less than if the PLCC adjustment is not included. It does contain some uncertainty, but less than that for fixed or negotiated splits used by many others.¹¹
30. FBC arrives at the following Revenue to Cost ratios using the Minimum System and PLCC adjustment approach for distribution.

Application Table 5-11: COSA Revenue to Cost Ratios

Customer Class	Default Rate Schedule	Revenue to Cost Ratio
Residential	RS 01	98.4%
Small Commercial	RS 20	102.2%
Commercial	RS 21	104.7%
Large Commercial Primary	RS 30	104.0%
Large Commercial Transmission	RS 31	107.0%
Lighting	RS 50	92.2%
Irrigation	RS 60	97.2%
Wholesale Primary	RS 40	96.7%
Wholesale Transmission	RS 41	103.9%

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31. Only two of the eight utilities surveyed for the COSA Study use a minimum system approach.¹³
32. An alternative option is to first create a direct assignment of some costs and then use the basic 100% demand approach for the remaining assets, where all distribution other than meters/services are classified as demand-related. EES states that this would be a feasible approach for FBC but not recommended because 'it is a shift from precedent, does not reflect the theory adopted for FBC's sister gas utility or in FBC's past electric COSA studies, and would lead to large shifts in costs between classes.'¹⁴

¹⁰ Exhibit B-1, page 50

¹¹ Exhibit B-8, BCUC 1.26.2.1

¹² Exhibit B-1, page 54, FBC Final Submission page 14

¹³ Exhibit B-8, BCUC 1.26.1

¹⁴ Exhibit B-21, BCUC 2.118.2

33. The 100% demand approach favours residential and other small customers because it does not reflect the fact that one large customer would likely require far fewer distribution facilities than a combined group of 100 customers with the same peak load.¹⁵
34. FBC provides the following R:C ratios using a 100% demand approach.

Customer Class	As Filed	100% Demand
Residential	98.4%	107.0%
Small Commercial RS 20	102.2%	103.7%
Commercial RS 21/22	104.7%	92.0%
Large Comm PrimaryRS30/32	104.0%	92.3%
Large Comm Transmission RS 31	107.0%	106.7%
Lighting	92.2%	102.5%
Irrigation	97.2%	92.3%
Wholesale Primary RS 40	96.7%	85.9%
Wholesale Transmission RS 41	103.9%	103.8%

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35. EES does not agree that minimum system studies are too complex and points out that the data required to perform the minimum system study for FBC was readily available.¹⁷
36. EES has increasingly seen the use of more detailed studies that look at the actual use of the distribution system by various customer classes, rather than completing the classification and allocation steps required by a minimum system study. The approach requires more detailed data and is related to an attempt to provide more accurate allocations made possible with greater data availability arising from new technologies.¹⁸
37. The CEC submits that an alternative of 100% demand is not a suitable approach because it moves away from the best information for cost causation to a simplistic assumption, and is known for a bias towards smaller customers by shifting costs from small distribution uses (Residential and Small Commercial) and moves them towards large distribution uses (Commercial, Large Commercial-Primary, and Wholesale served at Primary).¹⁹
38. The CEC submits that the minimum system approach, with the PLCC adjustment is theoretically reasonable.

¹⁵ Exhibit B-8, 1.26.2.1

¹⁶ Exhibit B-21, BCUC 2.118.4.1

¹⁷ Exhibit B-21, BCUC 2.118.2

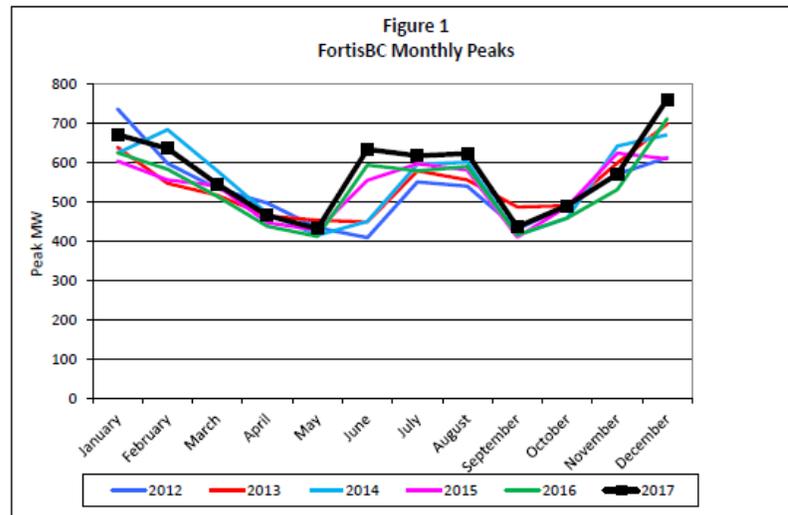
¹⁸ Exhibit B-21, BCUC 2.118.2

¹⁹ Exhibit B-21, BCUC 2.118.4.1

- 39. The CEC submits that the minimum system study approach with the PLCC adjustment should be utilized because the information is readily available²⁰ and it is presently the better method available, when compared to the 100% demand option.
- 40. The CEC submits that moving towards methodologies utilizing increased detail, as discussed in BCUC 2.118.2 and being undertaken in other jurisdictions, could be useful in future COSA studies.
- 41. The CEC recommends that the Commission approve FBC’s use of the minimum system with PLCC adjustment approach for use in its COSA.

Cost Allocation Method

- 42. Demand-related production and transmission costs were allocated using the 2 Coincident Peak (“2CP”) method, which was also accepted by the Commission in the most recent COSA.
- 43. The Non-Coincident Peak (“NCP”) method was used for demand-related distribution costs.
- 44. FBC states that it is standard practice to use CP for production and transmission facilities and NCP for those facilities that were built or planned for localized peaks re-allocated on the basis of NCP.²¹
- 45. The following is a graphic representation of FBC’s monthly peaks.



²⁰ Exhibit B-21, BCUC 2.118.7

²¹ Exhibit B-8, BCUC 1.18.2

²² Exhibit B-1, Appendix A page 36

46. While the summer peak is not at the same level as the winter peak it is growing faster than the winter peak and will increasingly have a larger impact on the system.²³
47. EES did not complete a review of utilities that specifically have a dual winter/summer peak since this is a load attribute that is not common or readily apparent.²⁴
48. If the growth in the summer peaks continues to grow to the point where it matches or slightly exceeds the winter peak, there would be no need to use a different allocator. If both the summer and shoulder peaks grow relative to the winter peak, the 12 CP allocator may become appropriate in the future. The summer peaks would have to surpass the winter peaks by a significant amount before it would be appropriate to change an allocator based only on the summer peak.²⁵
49. FBC would examine the overall shape of the system, how close the summer peaks are to winter peaks, whether the load shape has changed since the last COSA, the results of the FERC and OEB tests, whether any other factors related to planning for system facilities have changed and whether any precedents in BC or other jurisdictions have changed enough to warrant a change for FBC.²⁶

	2 CP	1CP	4CP	12 CP
Residential	98.4%	97.7%	97.9%	99.6%
Small Commercial 20	102.2%	102.5%	102.6%	101.3%
Commercial 21/22	104.7%	106.5%	104.8%	101.1%
Large Commercial Primary 30/32	104.0%	106.9%	106.3%	100.0%
Large Commercial Transmission 31	107.0%	112.6%	108.9%	105.9%
Lighting	92.2%	90.3%	89.4%	90.9%
	2 CP	1CP	4CP	12 CP
Irrigation	97.2%	110.6%	110.4%	96.6%
Wholesale Primary 40	96.7%	96.9%	97.4%	98.0%
Wholesale Transmission 41	103.9%	89.6%	95.2%	108.9%
Total	100.0%	100.0%	100.0%	100.0%

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50. The CEC submits that the 2CP allocator appears to represent FBC’s system peaks well and can be expected to continue to do so over the near future.
51. In BCUC 115.2, the BCUC requested FBC to provide a discussion as to which other allocators result in the most reasonable results.

²³ Exhibit B-1, Appendix A page 36

²⁴ Exhibit B-8, BCUC 1.25.1

²⁵ Exhibit B-21, BCUC 2.115.1

²⁶ Exhibit B-21, BCUC 2.115.1

²⁷ Exhibit B-21, BCUC 2.115.1

52. FBC states that:

‘The 2 CP best reflects the cost causation of the system and for that reason provides the most reasonable results, in our opinion. Moving away from the 2 CP allocator would result in some classes seeing higher or lower allocated costs. Because the 12 CP provides results that do not create as large of a difference from the 2 CP results, the 12 CP approach would be the next most reasonable. The 1 CP and 4 CP do not consider the summer peak loads to be of any importance and therefore do not reflect the nature of the FBC system and the planning for facilities to meet peak loads’²⁸

53. The CEC notes that FBC’s response is indicative that its current analysis represents the ‘best information’, and that alternative assessments are not generally warranted if they stray significantly from the original.

54. The CEC is content with FBC cost allocation methodologies.

55. The CEC recommends that the Commission approve FBC’s cost allocations as provided for in the application.

CEC CONCLUSION ON COSA

56. The CEC is of the view that FBC and EES have used sound methods and decision-making in the COSA.

57. The CEC submits that the COSA represents the best information available to the Commission.

58. The CEC recommends that the Commission approve FBC’s Cost of Service methodologies and rely on the information derived from the studies in the Commission’s determinations.

²⁸ Exhibit B-21, BCUC 2.115.2

RATE REBALANCING

59. FBC’s calculated Revenue to Cost (“**R:C**”) ratios are as follows:

Application Table 5-11: COSA Revenue to Cost Ratios

Customer Class	Default Rate Schedule	Revenue to Cost Ratio
Residential	RS 01	98.4%
Small Commercial	RS 20	102.2%
Commercial	RS 21	104.7%
Large Commercial Primary	RS 30	104.0%
Large Commercial Transmission	RS 31	107.0%
Lighting	RS 50	92.2%
Irrigation	RS 60	97.2%
Wholesale Primary	RS 40	96.7%
Wholesale Transmission	RS 41	103.9%

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60. The CEC notes that Small Commercial, Commercial, Large Commercial Primary, Large Commercial Transmission and Wholesale Transmission, are all above 100%, while Residential, Lighting, Irrigation, and Wholesale Primary are below 100%.

WHEN TO REBALANCE AND RANGE OF REASONABLENESS

61. FBC agrees that an important reason for rebalancing is ‘fairness, ’ but say this is subject to the recognition that cost allocation amongst customers and customer classes is subject to uncertainty due to ‘the assumptions, estimates and judgements involved in a COSA study’.³⁰
62. FBC proposes a ‘Range of Reasonableness’ (“**RoR**”) of 95% to 105% for rebalancing³¹, with the assumption that classes within the RoR are deemed to be fairly recovering their cost of service.³²
63. Rebalancing would occur if a rate class or classes fall outside the RoR.
64. The CEC submits that it is logical and appropriate for the utility and the Commission to recognize that the ‘best evidence’ available to them are the R:C ratios derived from the duly considered and approved studies. This information can then be identified and treated as the best available information and balanced with other considerations. The CEC submits that decisions in all aspects of business and personal matters are determined

²⁹ Exhibit B-1, page 54

³⁰ Exhibit B-25, CEC 2.55.2

³¹ Exhibit B-1, appendix A page 55

³² Exhibit B-25 CEC 2.55.1.2

using information which is subject to ‘assumption, estimates and judgements’, and that this situation is no different.

65. The CEC does not oppose the recognition that certain judgements and assumptions embedded in the R:C ratios could alter the results. However, such recognition should be applied in a judicious manner in the determination of whether and when to rebalance, rather than being treated as a fact, with an arbitrarily applied +/- end point, for which there is no statistical foundation.
66. The CEC submits that when a specific RoR is applied, there develops a logic failure and the loss of important information for Commission consideration.
67. The CEC submits that if there is some error involved in the assessment, then the error must be considered to go equally in either direction, or else there is bias.
68. Accordingly, under the RoR principle a customer class should be freely able to be above or below the 5% and still be considered to be recovering their costs.
69. In CEC 2.55.1.2 the CEC requested confirmation that ‘it would be equally equitable from a cost causation perspective for the relative rate class positions to be switched such that those customer classes with R:C ratios above unity could be moved to below unity, and vice versa.’
70. FBC did not confirm and responded that:

The COSA study results in the total allocated costs for each rate class and switching relative rate class positions with R:C ratios above unity to below unity or vice-versa would have to change the allocated costs to that rate schedule, which is not equitable from cost causation perspective.³³
71. They go on to repeat their position regarding the RoR.
72. The CEC submits that FBC’s first statement is logical, but consistent with the use of best available information, and entirely inconsistent with the RoR principle.
73. Similarly, the CEC submits that where a customer class is consistently found to be contributing more or less than its cost of service over time, based on the best available evidence, then the Commission should evaluate the appropriateness of that contribution or under-contribution to continue.
74. In FBC’s view it is equitable for a customer class to remain consistently above unity as long as the R:C ratios are within the RoR.³⁴

³³ Exhibit B-25 CEC 2.55.1.2

³⁴ Exhibit B-25, CEC 2.55.1

75. FBC agrees however, that, in the absence of bias, consistent results over multiple COSA should indicate that the results are more likely to be consistently valid than if they were conducted only once.³⁵
76. Further, FBC does not believe that there has been any bias in its COSA, which has been done in accordance with standard utility practice.³⁶
77. Overall FBC would expect that the electric COSA would provide more accurate results than the natural gas utility, primarily because of the accuracy of the load data.³⁷
78. The CEC submits that the above is important information that becomes excluded from Commission consideration when an established RoR is applied.
79. The CEC submits that avoiding consideration for the long-term contributions of a rate class based on the best available information is inappropriate. Applying an arbitrary RoR to the information simply diminishes the Commission's use of the best available information.
80. The CEC submits that it would be a far superior option for the Commission to utilize the best available information and apply its judgement to that information along with all the other information at its disposal.
81. The CEC does not consider that a pre-established RoR adds any value and indeed detracts from the Commission's due exercise of its judgement, which can be readily and more appropriately exercised utilizing the R:C ratios themselves rather than an arbitrarily established range from that information.
82. FBC points out that there are also other considerations and conflicting rate design principles that also need to be balanced in the rate design process.³⁸
83. The CEC agrees that there are other considerations and submits that these should be carefully evaluated and weighed accordingly.
84. FBC confirms that the Commission may have multiple reasons for not rebalancing such as:

If it were not cost-effective to do so at the time;

If the rate or bill impact exceeded a level deemed unacceptable;

If rate stability over time were negatively impacted; and

³⁵ Exhibit B-25, CEC 2.55.9

³⁶ Exhibit B-25, CEC 2.55.9

³⁷ Exhibit B-25, CEC 2.55.12

³⁸ Exhibit B-25, CEC 2.55.1

If customer understanding and acceptance could not be managed.³⁹

85. In CEC 2.55.6, the CEC requested the following:

Please confirm that the Commission has the discretion to balance the various principles of rate design following the calculation of the R:C ratios information, rather than by embedding an error set into the information itself. ie. For instance, the Commission could accept the R:C figures as is, and balance the importance of making adjustments with its view of fairness and other principles.⁴⁰

86. FBC 'disagrees with the premise in the question that there is somehow an error set in the R:C ratios information'.⁴¹

87. FBC's disagreement confirms the CEC position that the R:C ratios are the best available information.

88. The CEC submits that the premise of embedded error in the R:C ratios, which is somehow accounted for by adding an arbitrary margin of error, is ultimately the basis behind FBC's RoR argument, which should be dismissed as diminishing the value of Commission's ability to consider all the evidence.

89. Commission Oder G-156-10 does not bind the Commission, which is not obliged to follow precedent, however the Order is binding on FBC.⁴²

90. The CEC recommends that the Commission discard the RoR and utilize the best available information, which is the R:C ratios. From this point, the Commission can apply judgements as to the weight that should be given to the information, and other considerations.

91. The CEC recommends that one of the issues the Commission should judge in determining whether to rebalance and sett appropriate R:C ratios is the consistency over time with respect to whether they vary on either side of 1 or are consistently calculated on one side only.

TARGET FOR REBALANCING

92. In the application FBC proposes to move the two rate classes that are currently outside of the RoR (RS 31 and RS 50) to within the RoR by adjusting the final rates approved by the BCUC. They propose to roughly meet the end-points rather than targeting unity.

³⁹ Exhibit B-25, CEC 2.55.3

⁴⁰ Exhibit B-25, CEC 2.55.6

⁴¹ Exhibit b-25, CEC 2.55.6

⁴² Exhibit B-25, CEC 2.56.1

Table 5-12: RoR Details for RS 31 and RS 50

Customer Class	Large Commercial Transmission	
	(RS 31)	Lighting (RS 50)
Total Allocated revenue requirement (\$)	6,627,451	3,116,434
Pre-Rebalancing Revenues at Existing Rates (\$)	7,094,309	2,874,607
Pre-Rebalancing Revenue to Cost Ratio	107.0%	92.2%
RS 50 Revenues at 95% R/C		2,960,612
Revenue Required to move RS 50 within RoR (\$)		155,822
Resulting RS 31 Revenue Reduction	155,822	
Resulting Adjusted Revenues	6,938,487	2,960,612
Post Rebalancing R/C Ratio	104.7%	95%

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93. FBC’s proposal results in a revenue shift of \$155,822 which results in a rate increase to Lighting (RS 50) of 5.4% and a rate reduction of 2.2% for Large Commercial Transmission.⁴⁴
94. FBC provides the following review in its Final Submission:

As noted in the response to BCUC IR 1.20.1, the 2009 COSA/RDA Decision determined that future rebalancing need not take place unless the R/C ratios again fall outside of the accepted ROR, but was silent on what the target of the rebalancing should be in the case where such an excursion outside the ROR takes place in the future. FBC is not proposing to move all classes to unity, nor is it proposing to move only RS 50 and RS 31 to unity while leaving the other classes unaffected. FBC is proposing only to rebalance those two rate classes (RS 50 and RS 31) that are outside of the ROR. FBC does not view it as an equitable or logical outcome to move only two classes to unity while leaving other classes untouched.⁴⁵

FBC stated specifically that it would not be equitable to move rate classes to unity in isolation since this would require a different standard of cost recovery than imposed on the other classes of customers.⁴⁶

The rebalancing proposal would result in a percentage increase in rates for RS 50 of 8.4 percent and a percentage decrease in rates for RS 31 of 3.4 percent.⁴⁷

⁴³ Exhibit B-1, page 56

⁴⁴ Exhibit B-1, page 56

⁴⁵ FBC Final Submission page 15

⁴⁶ FBC Final Submission page 15, Exhibit B-25, CEC 2.56.2

⁴⁷ FBC Final Submission page 15

95. The CEC submits that FBC's statement regarding the previous Commission Decision is somewhat misleading in that it omits significant information from the Commission's previous Decision.
96. While the Commission did not explicitly declare the target for future rate rebalancing, the Commission was very clear that it considered unity to be the appropriate target for rebalancing at the time.
97. In Decision G-156-10, the Commission determined that the appropriate target in rate rebalancing is unity. They state:

The Commission Panel is further persuaded by Big White's argument that targeting unity in the rate rebalancing, rather than the end points of the range of reasonableness, will result in a more equitable distribution of revenue to cost ratios amongst customer classes at the end of five years.

Accordingly, the Commission Panel finds that the appropriate target for revenue-to-cost ratios in each class is unity or one, and that future rebalancing should only be required when a customer class falls outside of the range of reasonableness.⁴⁸

98. They conclude as follows:

FortisBC is directed to adjust its rates with the goal of achieving revenue-to-cost ratios of one for each class. Rate increases due to rebalancing alone are capped at five percent annually, with a 10 percent cap on increases resulting from rebalancing and revenue requirement increases combined, exclusive of increases to BC Hydro rates flowed through to FortisBC customers. The 10 percent cap does not apply to increases due solely to revenue requirements. Rebalancing will be determined on the basis of the updated COSA.⁴⁹

99. The CEC submits that silence on the future, when a clear decision is made at the time, should in no way be construed to suggest that the Commission had no opinion, which is the implication in FortisBC's statement.

100. Indeed, the CEC notes FBC's own evidence from Elenchus with regard to rebalancing:

'As Elenchus (independent consultant in the 2016 FEI Rate Design Proceeding) has opined, consistency with past practices adopted in relation to the utility is the most important consideration.⁵⁰

101. The CEC submits that unity is the appropriate target for rebalancing and could be managed readily in this case.

⁴⁸ BCUC Decision G-1'96-10 page 78

⁴⁹ BCUC Decision G-1'96-10 page 79

⁵⁰ Exhibit B-25, CEC 2.55.6

102. The CEC submits that a 5.4% increase is not overly burdensome and can be accommodated in the interests of fairness without causing rate shock or other significant untoward effects for the Lighting Rate Class.
103. The CEC considers that targeting to the end points of the RoR effectively results in disregard for the best evidence available and for the RoR concept itself.
104. The best evidence available is that one or more of the rate classes is unfairly bearing more than its costs to the benefit of other rate classes. The RoR is intended to account for possible error, with the presumption being that if it exceeds the RoR, then there is a reason for rebalancing. Rebalancing to the RoR simply buries the evidence that there is unfairness in rate recovery between the classes.
105. The CEC submits that, in the absence of other considerations, all rebalancing should be undertaken to achieve unity as the fairest method.
106. The CEC recommends that the Commission deny FBC's request to rebalance to the end points and require FBC to rebalance its customer classes to unity.

CEC Conclusion Regarding Rebalancing

107. The CEC submits that it is appropriate for the Commission to disregard the +/- 5% RoR as proposed by FortisBC and examine and consider the information as the best available information.
108. The CEC submits that it would be appropriate for the Commission to consider the consistency of the R:C ratios over time in determining the appropriate weight to assign the R:C ratios, as one input into the assessment of when and how much to rebalance.
109. The CEC submits that it is reasonable for the Commission to consider full rebalancing at every COSA and RDA, with significant consideration applied in the individual rate class circumstances, provided that the ratepayer class fairness issue is large enough to justify any incremental cost, which should be minimal during a COSA review.
110. For instance, the CEC recognizes that at this time, most residential customers will experience a bill increase as a result of proposed move to a flat energy rate, (as discussed below) if approved by the Commission. The CEC submits that these are important considerations which can be balanced to determine the appropriate timing for rebalancing.
111. The CEC submits that in the absence of other factors, all rebalancing should be undertaken towards unity as the fairest outcome using the best available information.
112. The CEC recommends that the Commission direct FBC to rebalance towards unity.

FIXED COST RECOVERY

113. One of the key approvals FBC is seeking relates creating a consistent recovery of fixed costs across the rate classes. One of the key issues they identify is future challenges for fixed cost recovery as a result of distributed generation, energy efficiency and storage technologies.⁵¹
114. In particular, the company is recommending a minimum fixed cost recovery of 55% of customer related unity costs and 65% of fixed infrastructure related unit costs.
115. In determining the percentages of cost recovery to recommend in the Application, FBC compared the current rates for each rate class to the appropriate unit costs as determined in the COSA. While there is no standard or ‘correct’ level at which to set the recovery percentages, FBC believes that a more consistent level of recovery across the rate classes is desirable from an equity standpoint, which would better reflect the costs derived in the COSA and would begin to address the challenges that may emerge as customers gain the ability to reduce their contribution to the fixed costs of the utility system. The target level of 65% for demand-related cost recovery was made in consideration of current levels. FBC states that the determination was ‘intuitive’.⁵²

Table 3-2: Current Fixed Cost Recovery Detail

	Current Customer Charge (\$/mo)	Customer Charge COSA Unit Cost (\$/mo)	Customer Charge Recovery Percent	Current Demand Charge (\$/kVA) ⁵²	Customer Demand COSA Unit Cost(\$/kVA)	Demand Charge Recovery Percent
Residential (RCR)	16.05	35.60	45%	n/a	n/a	n/a
Residential (Exempt)	18.70	35.60	53%	n/a	n/a	n/a
Small Commercial	19.40	41.75	46%	n/a	n/a	n/a
Commercial	16.48	96.38	17%	7.72	15.73	49%
Large Commercial Primary	945.04	1,474.98	64%	9.19	14.00	66%
Large Commercial Transmission	3,116.03	5,810.78	54%	4.93	7.34	67%
Irrigation	20.96	40.17	52%	n/a	n/a	-
Wholesale Primary	2,645.03 ⁵³	8,222.83	32%	8.98	15.05	60%
Wholesale Transmission	5,974.48	7,892.14	76%	6.24	6.39	98%

⁵¹ Exhibit B-1 page 29

⁵² Exhibit B-8, BCUC 1.9.1

⁵³ Exhibit B-1-4 Errata to Application page 32

116. The CEC submits that establishing minimum contribution levels to fixed costs represents an improvement in fairness from a cost causation perspective, as larger customers otherwise subsidize smaller customers with larger energy bills.
117. The CEC submits that FBC’s proposals result in a more equitable distribution of costs, and could potentially go further in the future.
118. FBC does not have a long-term goal of increasing the percentage of fixed cost recovery through fixed charges. FBC would consider higher levels in the future, if circumstances such as the prevalence of distributed generation resources led to an unacceptable shift in the burden of costs to other customers.⁵⁴
119. The following rate changes will be implemented as a result of FBC’s proposals.

Table 1: Summary of Fixed Charge Changes

Rate Class	Code	Current Customer Charge (\$/mo)	Proposed Customer Charge (\$/mo)	Change (\$/mo)	Current Demand Charge (\$/kVA/mo)		Proposed Demand Charge (\$/kVA/mo)		Change (\$/mo)	
Small Commercial	RS 20	19.40	23.00	3.60	N/A		N/A		N/A	
Commercial	RS 21	16.48	54.00	37.52	7.72		10.22		2.50	
Large Commercial Primary	RS 30	945.04	945.04	n/c	9.19		9.19		n/c	
Large Commercial Transmission	RS 31	3116.03	3195.00	78.97	Wires	PS	Wires	PS	Wires	PS
					4.93	2.77	4.93	3.45	n/c	0.68
Wholesale Primary	RS 40	2645.03/POD	4522.46/POD	1877.43	Wires	PS	Wires	PS	Wires	PS
					8.98	4.82	8.98	4.82	n/c	n/c
Wholesale Transmission	RS 41	5974.48	5978.48	4.00	Wires	PS	Wires	PS	Wires	PS
					6.34	4.77	6.34	4.77	n/c	n/c
Irrigation	RS 60	20.06	22.09	2.03	N/A		N/A		N/A	

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120. FBC’s rate proposals are presented in each rate class discussion, and the CEC is of the view that the changes are not overly burdensome.
121. The CEC recommends that the Commission approve FBC’s proposals to increase the recovery of fixed costs at the proposed levels in the application.

RESIDENTIAL

122. FBC reviews its proposals for the residential rate schedule in Section 6 of the application.
123. FBC’s proposal for the default residential rate is a phased-in return to a flat rate for all customers, accompanied by a harmonizing of the RS 01 and RS 03 Customer Charges at the RS 03 rate.⁵⁶
124. Aside from specific TOU proposals, FBC is applying to the Commission for approval to:

⁵⁴ Exhibit B-25, CEC 2.48.1

⁵⁵ FBC Final Submissions page 13

⁵⁶ Exhibit B-1, page 71

- a) Implement a flat rate structure as the default rate for residential service;
 - b) Phase in the change such that at the beginning of the fifth year the rate would be flat;
 - c) Incrementally, over the phase in period, allow an adjustment in the RS 01 Customer Charge such that it equals the RS 03 Customer Charge (which was not frozen as part of Order G-3-12; and
 - d) Close the RS 03 rate (which was specific to customers in the RCR Control Group).
125. FBC’s current default residential rate (RS 1) is a conservation rate (Residential Conservation Rate (“**RCR**”)) which includes a Customer Charge, Block 1 Rate, and Block 2 Rate. The ‘Threshold’ represents the maximum number of kWh that a customer may consume during a billing period that will be billed at the Block 1 rates.
126. FBC’s rates are as follows:

Table 6-1: RS 01 Rate Components

Rate Element	Monthly Billing Period	Bi-Monthly Billing Period
Customer Charge	\$16.05	\$32.09
Threshold (kWh)	800	1,600
Block 1 Rate (per kWh)	\$0.10117	\$0.10117
Block 2 Rate (per kWh)	\$0.15617	\$0.15617

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127. Additionally, FBC has customers enrolled in two optional rate groups, including an:
- RCR Control Group (RS 03) and
 - certain eligible farm customers (RS 03A).
128. FBC proposes to eliminate the RS 03 rate from the electric tariff, as the group was dissolved in 2015 and there are no further reporting requirements.⁵⁸
129. The CEC submits that the RS 03 is an appropriate removal and recommends that the Commission approve the closing of the RS 03 as requested by FortisBC in the application.

RETURNING TO A FLAT RESIDENTIAL RATE

130. FBC has consulted and received significant public feedback regarding the RCR.

⁵⁷ Exhibit B-1, pages 57-58

⁵⁸ Exhibit B-1, page 58

131. The predominant sentiment was that the RCR was unfair and punitive, particularly to those customers that had either exhausted or otherwise had few opportunities to exercise conservation.⁵⁹
132. FBC also reviewed a number of options in its consultation process.
133. FBC also established the key principle of cost causation along with other Bonbright principles such as customer understanding and acceptance, encouraging efficient use, and revenue and rate stability.⁶⁰ Guiding Principles identified on pages 60-61 of the application are also identified, but are considered supplementary to the Bonbright principles.
134. The CEC submits that these are the appropriate principles for FBC to have advanced and considered in its evaluation regarding the RCR.
135. FBC is in agreement with public sentiment that the impact of the RCR has become overly burdensome on high-consuming customers.
136. FBC appears to have selected the Flat Rate Billing option as a result of its public consultation process, and the review of various options and their billing impacts.
137. FBC rejected the potential for a 'No Natural Gas Access Rate' because there is no basis in cost causation, is difficult to administer, and the RCR rate is not discriminatory.⁶¹
138. The CEC agrees that it is appropriate to avoid the development of a rate for which there is no fundamental cost basis or efficient use basis.
139. FBC also notes that there is no cost basis for the current levels of the Tier 1 and Tier 2 rates that form the RCR, nor for any particular threshold and tier pricing. There is no relationship between the level of the existing rates and any operational or cost basis.⁶²
140. FBC states that the harmonizing of the RS 01 and RS 03 Customer Charges and the flattening of the Energy Charge will better align the rate with COSA unit costs and the proposal will help to improve intraclass fairness, since low-use customers would pay a more equitable share of the costs imposed on the system.
141. Further, when considered alongside the RCR, other rate design principles such as customer understanding and acceptance will be improved.
142. FBC points out that the conservation from the RCR is embedded, and most steps available to reduce the impact of the RCR on billing have been taken.⁶³

⁵⁹ Exhibit B-1, page 59

⁶⁰ Exhibit B-1, page 60

⁶¹ Exhibit B-1, page 63-64

⁶² Exhibit B-1, page 71

⁶³ Exhibit B-1, page 72

143. BCSEA provided evidence with regard to the potential conservation as a result of the RCR in Exhibit B-2-6. They dispute FBC's argument regarding 'low hanging fruit' having been already achieved and suggest that the estimated conservation impact of the RCR was roughly double the impact of all its DSM programs.⁶⁴ Additionally, they review the appropriate LRMC as the Tier 2 pricing signal.⁶⁵
144. FBC did not file rebuttal evidence, nor, in the CEC's view provide compelling evidence in their Final Submission to dispute the conclusions, though they do dispute several of the conclusions drawn with supporting evidence.
145. FBC acknowledges in its Final Submissions that not all conservation measures have likely been exhausted but maintains that there remain 'diminishing returns' and that the continuation of the RCR can only be supported if 'doing so will lead to additional conservation and that such conservation will result in a benefit to FBC' while also considering the burden that may be placed on some customers.⁶⁶ Additionally, they point to a study which suggests that conservation impacts of flattening an inclining block rate structure can produce increased conservation. FBC's purpose in making the foregoing comments is not to draw a definitive conclusion that the flattening of its RCR will generate more conservation than remaining with an inclining block rate structure but rather to draw attention to the fact that the potential for losing conservation benefits is not a significant concern in transitioning from the RCR to a flat rate.⁶⁷
146. The CEC submits that FBC has received considerable customer feedback that the existing RCR rate is not well-received and accordingly there is customer understanding and acceptance as a key principle to be considered.
147. However, the CEC submits that the BCSEA evidence is valuable and presents a legitimate case for the continuation of the RCR.
148. The CEC also notes that as a result of moving to the proposed flat rate, 76.4% of customers will experience a bill increase⁶⁸ as demonstrated in BCUC 1.35.2.1.

⁶⁴ Exhibit C2-6, page PDF page 24 of 93

⁶⁵ Exhibit C2-6, page PDF page 17 of 93

⁶⁶ FBC Final Submissions page 7

⁶⁷ FBC Final Submissions page 16

⁶⁸ Exhibit B-21, BCUC 2.120.1

Table 2-1 from 2014 RCR Report				2017 RDA	
	Bill Impact	# Records	Percent of Total	# Records	Percent of Total
Bill Increase	Above 20%	396	0.4%		
	15% - 20%	1,894	2.0%	1,898	2.1%
	10% - 15%	5,681	6.0%	40,794	45.5%
	5% - 10%	9,816	10.3%	14,233	15.9%
	0% - 5%	12,072	12.7%	11,536	12.9%
Bill Decrease	0% - 5%	13,645	14.4%	9,020	10.1%
	5% - 10%	20,423	21.5%	7,231	8.1%
	10% - 15%	31,002	32.7%	3,684	4.1%
	15% - 20%			1,105	1.2%
	Above 20%			160	0.2%
		94,929	100%	89,661	100%

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149. The CEC submits that the Commission should undertake to weigh carefully the balance between the evidence provided by BCSEA and that provided by FortisBC with respect to the effectiveness of the RCR and the public acceptance of the rate.
150. The CEC submits that BCSEA has provided credible evidence of continuing effectiveness and a valid threshold, and that FBC has provided significant evidence of customer dissatisfaction. Additionally, the CEC notes that there is always a conservation incentive when there is a variable charge, even under a flat rate structure.
151. The CEC recommends that the Commission request FBC to continue to conduct further customer awareness and understanding activities should the Commission decide to continue with the RCR.
152. Should the Commission determine that it is best to move to a flat rate schedule, the CEC recommends that the Commission approve the proposal provided by FBC.

Phase-In Period

153. FBC's proposal provides for a 5-year Phase-In.
154. In the FBC proposal presented in Section 6.1.5, no customer will experience an annual rate increase greater than 3.5%⁷⁰ or an annual average increase in excess of \$41.⁷¹

⁶⁹ Exhibit B-8, BCUC 1.35.2.1

⁷⁰ Exhibit B-1 page 60

⁷¹ Exhibit B-1, page 73

Table 6-10: FBC Residential Rate Proposal

RCR Charge	Current RCR	Year 1 (Jan 2019)	Year 2 (Jan 2020)	Year 3 (Jan 2021)	Year 4 (Jan 2022)	Year 5 (Jan 2023)
Customer Charge (\$ per mo)	16.05	16.58	17.11	17.64	18.17	18.70
Tier 1 Rate (\$ per kWh)	0.10117	0.10394	0.10699	0.11024	0.11373	0.11749
Tier 2 Rate (\$ per kWh)	0.15617	0.14915	0.14188	0.13421	0.12610	0.11749
Threshold (kWh / mo)	800	800	800	800	800	800
Annual Consumption (kWh)	Percent of Customers	Annual Bill Impact				
Above 35,000	2%	(3.3%)	(3.6%)	(3.9%)	(4.3%)	(4.7%)
30,000 - 35,000	1%	(2.7%)	(2.8%)	(3.1%)	(3.3%)	(3.7%)
25,000 - 30,000	2%	(2.3%)	(2.4%)	(2.6%)	(2.8%)	(3.1%)
20,000 - 25,000	5%	(1.8%)	(1.8%)	(2.0%)	(2.1%)	(2.3%)
15,000 - 20,000	10%	(0.9%)	(0.9%)	(1.0%)	(1.0%)	(1.1%)
10,000 - 15,000	22%	0.7%	0.7%	0.8%	0.8%	0.8%
5,000 to 10,000	37%	2.4%	2.5%	2.6%	2.7%	2.7%
0 to 5,000	21%	3.0%	3.0%	3.0%	3.1%	3.1%

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155. FBC has not applied any particular test in order to determine the number of years over which to effect the transition of the RCR to a flat rate, but has reviewed impacts of 2, 3 and 5 years phase-outs for the RCR and considers 5 years to be the most reasonable.⁷³
156. FBC provides the following analysis for a 2 and 3 year transition in BCUC 1.46.3:

Two Year Transition Period

Table 46.3(i) – 2 Year Transition

RCR Charge	Current RCR	Year 1 (Jan 2019)	Year 2 (Jan 2020)
Customer Charge (\$ / mo)	16.05	17.38	18.70
Tier 1 Rate (\$ / kWh)	0.10117	0.10857	0.11749
Tier 2 Rate (\$ / kWh)	0.15617	0.13810	0.11749
Threshold (kWh / mo)	800	800	800

⁷² Exhibit B-1, page 73

⁷³ Exhibit B-8, BCUC 1.46.2.1

RCR Charge	Current RCR	Year 1 (Jan 2019)		Year 2 (Jan 2020)	
Annual Consumption (kWh)	Percent Of Customers	Annual Bill Impact			
		%	\$	%	\$
Above 35,000	2%	-8.5%	-802	-10.6%	-913
30,000 - 35,000	1%	-6.9%	-322	-8.3%	-366
25,000 - 30,000	2%	-5.9%	-232	-7.1%	-263
20,000 - 25,000	5%	-4.5%	-143	-5.3%	-160
15,000 - 20,000	10%	-2.3%	-55	-2.6%	-61
10,000 - 15,000	22%	1.8%	25	2.1%	30
5,000 to 10,000	37%	6.3%	59	6.9%	68
0 to 5,000	21%	7.7%	39	7.9%	44

Three Year Transition Period

Table 46.3(ii) – 3 Year Transition

RCR Charge	Current RCR	Year 1 (Jan 2019)		Year 2 (Jan 2020)		Year 3 (Jan 2021)	
Annual Consumption (kWh)	Percent Of Customers	Annual Bill Impact					
		%	\$	%	\$	%	\$
Customer Charge (\$ / mo)	16.05	16.93	17.82	18.70			
Tier 1 Rate (\$ / kWh)	0.10117	0.10596	0.11138	0.11749			
Tier 2 Rate (\$ / kWh)	0.15617	0.14432	0.13154	0.11749			
Threshold (kWh / mo)	800	800	800	800			
Above 35,000	2%	-5.6%	-527	-6.4%	-567	-7.5%	-622
30,000 - 35,000	1%	-4.5%	-212	-5.1%	-227	-5.8%	-249
25,000 - 30,000	2%	-3.9%	-153	-4.3%	-163	-5.0%	-179
20,000 - 25,000	5%	-3.0%	-94	-3.3%	-100	-3.7%	-109
15,000 - 20,000	10%	-1.5%	-37	-1.6%	-38	-1.8%	-42
10,000 - 15,000	22%	1.1%	16	1.3%	19	1.4%	21
5,000 to 10,000	37%	4.1%	39	4.4%	42	4.6%	47
0 to 5,000	21%	5.0%	25	5.1%	27	5.2%	30

157. If the change were phased in over 2 years⁷⁴, no customer would experience annual bill increases greater than 10% in either year of the transition, based on 2016 consumption.
158. FBC is of the opinion, however, that increases of almost 8% for two years running could be considered as rate shock given the short time frame.⁷⁵
159. The CEC submits that either a 2 or 3 year phase-out period would not necessarily be overly onerous.

⁷⁴ Using rates provided in BCUC 1.46.2

⁷⁵ Exhibit B-8, BCUC 1.46.2

160. The CEC notes that the largest % adverse impacts relate to the lowest consuming customers.
161. Consequently, the annual bill impacts on a dollar basis are not overly large.
162. The CEC does not object to FBC's proposed 5-Year phase-out and recommends Commission acceptance.
163. However, the CEC would also not object to either a 2 or 3 year phase-out period if the Commission were to determine that a shorter period was more appropriate.

Residential Customer Charge

164. FBC proposes to increase the residential customer charge from \$16.05 to \$18.70 per month, phased in over 5 years.
165. The increase in the RS 01 rate is intended to ensure that all residential customers have the same Customer Charge, but is supported by the COSA assessment which identified a cost that was significantly higher and in the order of \$35.00.
166. The charge of \$18.70 remains at only 53% of the COSA amount.⁷⁶
167. FBC states that the proposed adjustment in the RS 01 Customer Charge would result in the charge being set at the level where it would be today if not for the previous BC Government direction to freeze the Customer Charge for a period of 5 years.
168. The following provides the average bill impacts based on customer charges remaining at either the existing \$16.05 or increasing to \$18.70 as proposed by FBC.

⁷⁶ FBC Final Submissions page 19

2017 RDA (\$18.70 Customer Charge)				
	Bill Impact	# Records	Percent of Total	Average Bill Impact
Bill Increase	Above 20%			
	15% - 20%	35,564	39.7%	\$ 108.79
	10% - 15%	13,402	14.9%	\$ 133.68
	5% - 10%	9,855	11.0%	\$ 98.40
	0% - 5%	9,204	10.3%	\$ 39.40
Bill Decrease	0% - 5%	8,461	9.4%	-\$ 53.10
	5% - 10%	7,149	8.0%	-\$ 201.32
	10% - 15%	4,204	4.7%	-\$ 464.21
	15% - 20%	1,470	1.6%	-\$ 1,091.94
	Above 20%	352	0.4%	-\$ 3,635.82
		89,661	100%	

2017 RDA (\$16.05 Customer Charge)				
	Bill Impact	# Records	Percent of Total	Average Bill Impact
Bill Increase	Above 20%			
	15% - 20%	1,898	2.1%	\$ 152.47
	10% - 15%	40,794	45.5%	\$ 105.82
	5% - 10%	14,233	15.9%	\$ 81.87
	0% - 5%	11,536	12.9%	\$ 34.84
Bill Decrease	0% - 5%	9,020	10.1%	-\$ 53.89
	5% - 10%	7,231	8.1%	-\$ 210.09
	10% - 15%	3,684	4.1%	-\$ 504.90
	15% - 20%	1,105	1.2%	-\$ 1,373.31
	Above 20%	160	0.2%	-\$ 4,612.28
		89,661	100%	

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169. The CEC generally supports the principle of charges reflecting costs in the absence of significant reasons to avoid an outcome.
170. The CEC submits that it is appropriate for Customer Charges for RS 01 to be harmonized with RS 03, and to bring the charges closer to the level of costs.
171. The CEC recommends that the Commission approve the increase in the Residential Customer Charge as proposed by FortisBC.

COMMERCIAL

172. FBC reviews its proposals regarding Commercial rate schedules in Section 6 of the application, commencing at Section 6.2.
173. Commercial customers take service under RS 20, 21, 30 and 31.

⁷⁷ Exhibit B-21, BCUC 2.120.2.1

174. FBC notes that:

- The Customer Charge only collects 17% of the COSA unit cost;
- The Demand Charge only collects 48% of the COSA unit cost; and
- The energy charges are structured as a declining block.

175. FBC proposes to:

- Flatten the Energy charges from a 2 Tier declining block rate to a single energy rate that applies to all consumption;
- Increase the Customer Charge to 55% of the COSA derived value; and
- Increase the Demand Charge to 65% to better reflect the COSA derived value.⁷⁸

176. FBC is only proposing structural changes to RS 21.⁷⁹

177. The proposals are revenue neutral for the Commercial class.⁸⁰

178. The CEC has provided its views with regard to the fixed charge recovery issues under the Fixed Cost Recovery section in these submissions.

RS 20 Small Commercial

179. FBC is not proposing any structural changes to RS 20.

180. FBC proposes to set the Customer Charge at 55% of the COSA amount or \$23.00 per monthly billing period. FBC will offset the increase with a 1.9% decrease to the Energy Charge (to \$0.1000 per kWh) to remain revenue neutral.

181. FBC's view is that the proposal to increase the customer charge and decrease the energy rate for RS 20 (Small Commercial) is not inconsistent with rate design principle three (price signals that encourage efficient use and discourage inefficient use) because rate design principle three is:

‘not simply about lowering energy use or incenting conservation without regard to other considerations....the objective should not be to reduce consumption at all costs, but to provide the correct price signal to customers based on the underlying cost of service’.⁸¹

⁷⁸ Exhibit B-1, page 77

⁷⁹ Exhibit B-1, page 37

⁸⁰ Exhibit B-1, page 78

⁸¹ Exhibit B-21, BCUC 2.122.1

182. The CEC agrees with this approach.

183. Bill impacts are as follows:

Table 6-12: Rate Schedule 20 – Small Commercial Bill Impacts

Annual Consumption between			# of Customers#	Percent of Customers	Average Percentage Bill Difference	Average Dollar Bill Difference
110,000	and	above	368	3.1	(1.6%)	\$(64.14)
100,000	to	110,000	108	0.9	(1.5%)	\$(40.09)
90,000	to	100,000	131	1.1	(1.4%)	\$(34.90)
80,000	to	90,000	187	1.6	(1.4%)	\$(30.17)
70,000	to	80,000	231	1.9	(1.3%)	\$(25.15)
60,000	to	70,000	283	2.4	(1.2%)	\$(20.11)
50,000	to	60,000	426	3.6	(1.1%)	\$(15.22)
40,000	to	50,000	557	4.6	(0.9%)	\$(10.08)
30,000	to	40,000	809	6.7	(0.6%)	\$(5.19)
20,000	to	30,000	1,413	11.8	(0.1%)	\$(0.03)
10,000	to	20,000	2,575	21.5	1.0%	\$4.98
0	to	10,000	4,909	40.9	6.6%	\$9.67
Total			11,997	100.0		

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184. 8.7% of RS 20 customers will experience bill increases greater than 10%, or \$41, as a result of the change.

185. The CEC submits that although there are customers which will exceed the 10% ‘rate shock’ threshold, the dollar value is fairly small.

186. The CEC submits that the rate revisions are acceptable.

187. The CEC recommends that the Commission approve the changes to RS 20 as proposed by FBC.

RS 21

188. FBC provides the following current and proposed rates.

⁸² Exhibit B-1, page 76

Table 6-15: RS 21 – Current and Proposed Rate

Rate Schedule 21 Rate Component	Existing Tariff Rate	Proposed Tariff Rate	Proposed COSA Unit Cost Percentage
Customer Charge (\$/mo)	16.48	54.00	55%
Tier 1 Energy Rate (\$/kWh)	0.08663	0.06875	
Tier 2 Energy Rate (\$/kWh)	0.07191		
Demand Rate (\$/kVA)	7.72	10.22	65%

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189. FBC is also intending to adjust the Transformation discount which is addressed in these submissions under Transformation Discounts.
190. Increasing the level of fixed cost recovery in both the customer charge and the demand charge aligns with Principles 1, 7, and 8. The higher revenue recovery through fixed charges will aid in the recovery of the RS 21 share of the cost of service and will improve revenue stability. Intraclass equity is enhanced and interclass equity is not harmed.
191. In combination, the higher demand charge and flattened energy charge align with principle 3- sending price signals that encourage efficient use. The higher demand charge encourages customers to operate at a higher load factor.⁸⁴
192. For RS 21, the flattening of the existing declining block is a continuation of the move from 3 tiers to 2 tiers that was approved with the 2009 RDA which FBC views as running counter to the conservation objectives of the *Clean Energy Act* (“CEA”).⁸⁵
193. The CEC agrees that the existing declining block rate should be flattened.
194. FBC identifies the following bill impacts by dollar value and percentage of customers affected.

⁸³ Exhibit B-1, page 78

⁸⁴ Exhibit B-8, BCUC 1.50.3

⁸⁵ FBC Final Submissions page 25

Table 6-16: RS 21 – Bill Impact by Consumption Strata

Annual Consumption between			# of Customers	Percent of Customers	Average Percentage Bill Difference	Average Dollar Bill Difference
2,200,000	and	Above	21	1.5	1.7%	\$5,165.10
2,000,000	to	2,200,000	5	0.4	1.3%	\$2,472.67
1,800,000	to	2,000,000	8	0.6	2.9%	\$5,415.76
1,600,000	to	1,800,000	9	0.7	1.6%	\$2,363.49
1,400,000	to	1,600,000	16	1.2	2.6%	\$3,738.58
1,200,000	to	1,400,000	23	1.7	0.9%	\$1,130.16
1,000,000	to	1,200,000	27	2.0	2.1%	\$2,288.17
800,000	to	1,000,000	47	3.4	1.7%	\$1,534.27
600,000	to	800,000	65	4.7	1.5%	\$1,366.90
400,000	to	600,000	152	11.1	0.0%	\$172.95
200,000	to	400,000	421	30.7	(2.6%)	(\$371.14)
0	to	200,000	576	42.0	(4.0%)	(\$363.03)
			1370	100.0		

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Table 6-17: RS 21 Bill Impact by Percentage

Annual Bill Impact	# of Customers	Percent of Customers	Percent
Greater than 10% Increase	66	4.8	4.8%
5-10% Increase	73	5.3	5.3%
0-5% Increase	311	22.7	22.7%
0-5% Decrease	424	30.9	30.9%
5-10% Decrease	369	26.9	26.9%
Greater than 10% Decrease	127	9.3	9.3%
Total	1,370	100.0	100.0%

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195. FBC is not proposing to phase in the RS 21 rate changes because only 4.8% of the customers have an annual bill impact greater than 10%.⁸⁸ However, FBC is aware that the 4.8% of negatively affected customers could have ‘significant’ annual increases unless consumption habits change. FBC prefers to work with these customers rather than phasing-in the change for all customers.⁸⁹
196. FBC offers a range of programs that target the major end-uses of its Commercial customers, which includes those on rate RS21.⁹⁰ FBC’s DSM programs can assist customers to mitigate bill impacts and include energy assessments and rebate offers for relevant end-uses plus prescriptive (product) rebates. For larger, more complex projects a custom business efficiency path is available.⁹¹

⁸⁶ Exhibit B-1, page 78

⁸⁷ Exhibit B-1, page 79

⁸⁸ Exhibit B-13, CEC 1.37.4

⁸⁹ Exhibit B-13, CEC 1.37.4

⁹⁰ Exhibit B-25, CEC 2.59.1

⁹¹ Exhibit B-25, CEC 2.59.1

197. The CEC inquired if FBC would consider a phased approach for those customers with adverse impacts in CEC 2.59.2. FBC points out that the average load factor for customers negatively impacted is less than 10%, and FBC is committed to providing technical assistance to dealing with the load factor issue.⁹²
198. The CEC notes that with regard to the RCR, FBC proposes a Phase-in approach because FBC:
- ‘ is not aware of a definition of rate shock that prescribes a set period for consideration as a single year. FBC is of the opinion however that increases of almost 8% for two years running could be considered as rate shock given the short time frame.’⁹³
199. The CEC submits that bill impacts of over 10% and several thousand dollars should not be dismissed with a determination to simply ‘work with’ the customers.
200. The CEC recognizes that the customers with the low load factors may have opportunities for improvement, but submits that FBC should be required, either through working directly with the customers or offering a phase-in period, to ensure that customers do not receive a rate impact of more than 10%.
201. The CEC recommends that the Commission approve FBC’s proposal for RS 21, conditional on FBC being able to mitigate the rate impacts to a greater extent than is being proposed at this time.
202. The CEC recommends that the Commission request FBC to provide a proposal to mitigate the rates for customers expecting to experience rate impacts of more than 10%.

RS 30 Large Commercial Service – Primary Rate

203. FBC is not proposing any structural changes to RS 30. The fixed charge element, the Customer and Demand Charge, are already at or above the 55% and 65% levels respectively, so no adjustments to rate levels are proposed.
204. FBC does propose to adjust the Transformation Discounts, which are addressed later in these submissions under Transformation Discounts.
205. The CEC submits that there is no evidence to suggest that the current rates and rate structures are unfair or inefficient.
206. The CEC recommends that the Commission approve the FBC proposal to maintain RS 30.

⁹² Exhibit B-25, CEC 2.59.2

⁹³ Exhibit B-8, BCUC 1.46.2

RS 31 Large Commercial Service – Transmission Rate

- 207. There are only four customers taking service under RS 31, and one is a partial requirements customer.
- 208. FBC is not proposing any structural changes to RS 31, but does propose a redistribution of revenue recovery among the fixed and variable elements.
- 209. The current and proposed COSA and rates are as follows:

Table 6-19: RS 31 Current Rates and COSA Unit Costs

Rate Schedule 31 Rate Component	Existing Tariff Rate	COSA Unit Costs	COSA Unit Cost Percentage
Customer Charge (\$/mo)	3,116.03	5,810.78	54%
Energy Rate (\$/kWh)	0.05516	0.0379	
Wires Charge Demand Rate (\$/kVA)	4.93	7.34	67%
Power Supply Demand Rate (\$/kVA)	2.77	5.31	52%

Table 6-20: RS 31 – Current and Proposed Rates

Rate Schedule 30 Rate Component	Existing Tariff Rate	Proposed Tariff Rate	Proposed COSA Unit Cost Percentage
Customer Charge (\$/mo)	3,116.03	3,195.00	55%
Energy Rate (\$/kWh)	0.05516	0.05367	
Wires Charge Demand Rate (\$/kVA)	4.93	4.93	67%
Power Supply Demand Rate (\$/kVA)	2.77	3.45	65%

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- 210. Bill impacts for each of the four customers are relatively low on a percentage basis, with the maximum increase being 3.92%.

Table 6-21: RS 31 – Bill Impacts by Customer

Customer	Dollar Impact	% Impact
1	(22,031)	(0.49%)
2	2,205	0.11%
3	(267)	(0.09%)
4	20,092	3.92%

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- 211. The CEC does not have any objection to FBC’s proposal.
- 212. The CEC recommends that the Commission approve FBC’s proposal as provided for in the application.

⁹⁴ Exhibit B-1, page 81

⁹⁵ Exhibit B-1, page 82

WHOLESALE

213. FBC’s Wholesale rates include RS 40 (Wholesale Service – Primary) and RS 41 (Wholesale Service – Transmission). Additionally, there is an optional TOU rate which is not being used at present.⁹⁶
214. FBC is not proposing structural or rate level changes to the default wholesale rates, with the exception of the Transformation Discount discussed below.
215. FBC considers the fixed cost recovery to be acceptable.
216. FBC’s proposal is as follows:

Table 6-24: Wholesale Rate Details

Rate	Existing Rate	COSA Value	COSA Unit Cost Percentage	Proposed rate
Wholesale Primary (RS 40)				
Energy Charge (\$/kWh)	0.05441	0.03887		0.05441
Customer Charge (\$/POD/mo)	2645.03	1676.93	158%	2645.03
Wires Charge (\$/kVA)	8.98	15.05	60%	8.98
Power Supply Charge (\$/kVA)	4.82	6.13	77%	4.82
Wholesale Transmission (RS 41)				
Energy Charge (\$/kWh)	0.04501	0.03903		0.04501
Customer Charge (\$/mo)	5,974.48	7892.14	78%	5,974.48
Wires Charge (\$/kVA)	6.34	6.29	101%	6.34
Power Supply Charge (\$/kVA)	4.77	4.66	102%	4.77

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217. The CEC has no objection to FBC’s proposal for its Wholesale rates.
218. The CEC recommends that the Commission approve FBC’s Wholesale rates as proposed in the application.

IRRIGATION

219. Irrigation customers can take service under RS 60 between April 1 and October 31 of each year. In the non-irrigation season, customers take service under the applicable RS 20 or RS 21 schedule. There is an optional TOU rate (RS 61).
220. While the previous COSAs indicated a low R:C ratio, FBC’s recent COSA indicated a R:C ratio of 97.2%, and FBC does therefore not propose to rebalance.⁹⁸

⁹⁶ Exhibit B-1, page 87

⁹⁷ Exhibit B-1, page 86

⁹⁸ Exhibit B-1, page 84

221. FBC proposes to raise the Customer Charge to 55% cost recovery and reduce the energy charge rate accordingly.

Table 6-23: RS 60 – Proposed Rate

Rate Schedule 60 Rate Component	Existing Tariff Rate	Proposed Tariff Rate	Proposed COSA Unit Cost Percentage
Customer Charge (\$/mo)	20.06	22.09	55%
Energy Rate (\$/kWh)	0.07259	0.07240	

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222. The CEC has provided its views on rebalancing above, and submits it would be nonetheless worthwhile to rebalance the Irrigation Rate Class to unity.
223. The CEC has no objections to FBC’s proposal to amend the cost recovery of the customer charge and energy charges as proposed.
224. The CEC recommends that the Commission approve FBC’s proposal with respect to the Irrigation rate class.
225. FBC has received requests from the Keremeos Irrigation District (“**KID**”) to consider further changes to enable a TOU power rate structure during non-irrigation season which could reduce peak load demand and enable water suppliers to reduce power costs.¹⁰⁰
226. FBC intends to further investigate the proposition.¹⁰¹
227. FBC is unable to provide any kind of estimate as to the ‘minor impact’ that would likely accrue to other customers.¹⁰²
228. FBC will begin to examine the KID proposals once a Decision is received. This will allow FBC to have certainty on the COSA which will provide a basis for determining the potential impact on other customers. FBC estimates that it could report to the BCUC within 120 days of a Decision in the current process.¹⁰³
229. The CEC submits that this is an appropriate approach and recommends that the Commission request FBC to report back within 120 days of the Decision.

⁹⁹ Exhibit B-1, page 85

¹⁰⁰ Exhibit B-1, page 85

¹⁰¹ Exhibit B-1, page 85

¹⁰² Exhibit B-25, CEC 2.60.1

¹⁰³ Exhibit B-21, BCUC 2.124.1

TRANSFORMATION DISCOUNTS

230. In the application FBC is seeking to update the Transformation Discount that is currently available to RS 21 and RS 30 customers.¹⁰⁴
231. The Transmission Discount permits a customer that does not meet the eligibility criteria for the rate schedule offering service at a higher voltage to receive a lower rate on providing their own transformation.¹⁰⁵
232. There are approximately 31 RS 21 customers receiving the Transformation Discount¹⁰⁶ and the RS 30 customer class has 46 customers.¹⁰⁷
233. The discount is based on COSA and is applied to the Demand Charge portion of the rate. Calculations are provided in the application under the individual rate discussions.
234. The increase in the discount results from growth in costs and higher kVA per customer in the 2017 COSA when compared to the 2009 COSA.
235. FBC proposes to include the updated amount as the transformation discount in the delivery and metering discounts sections of RS 21¹⁰⁸ and RS 30.¹⁰⁹
236. FBC is also seeking to add a transformation discount to RS 40 (Wholesale Primary) that has the same rationale and methodology as used for RS 21 and RS 30. The addition of a transformation discount to RS 40 will provide for any of the customers currently taking service on that rate to interconnect at transmission voltage without the need to submit an additional rate application to the BCUC for approval. FBC believes that this represents an efficient use of the regulatory process, is based on the COSA currently before the BCUC, and is in the public interest.¹¹⁰

¹⁰⁴ FBC Final Submissions page 26

¹⁰⁵ Exhibit B-1, page 87

¹⁰⁶ Exhibit B-1, page 79

¹⁰⁷ Exhibit B-1, page 80

¹⁰⁸

¹⁰⁹ Exhibit B-1, page 80

¹¹⁰ FBC Final Submissions page 26

Table 6-25: RS 40 Transmission Discount

Rate	Existing Rate	Discount	Discounted Rate
Wholesale Primary (RS 40)			
Energy Charge (\$/kWh)	0.05441	0.0077	0.04671
Customer Charge (\$/POD)	2645.03	-	2645.03
Wires Charge (\$/kVA)	8.98	2.64	6.34
Power Supply Charge (\$/kVA)	4.82	-	4.82

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237. The CEC submits that the evidence is that the FBC COSA has identified and updated cost reductions for customer transformation and that it is appropriate for charges to be applied according to costs incurred.
238. The CEC recommends that the Commission approve the Transformation Discounts as applied for by FortisBC.

TRANSMISSION SERVICES

239. FBC reviews its proposals related to Transmission Services in Section 7 of the Application. FBC has the following Transmission Service Rate Schedules in place.

Table 7-1: Transmission Service Rates

Wholesale Transmission Access Services		Rate Schedule
Network Integration Transmission Service ⁵⁸		100
Long-Term and Short-Term Firm Point-To Point Transmission Service		101
Non-Firm Point-to-Point Transmission Service		102
Ancillary Services		Rate Schedule
Scheduling, System Control and Dispatch Service		103
Reactive Supply and Voltage Control from Generation Sources Services		104
Regulation and Frequency Response Service		105
Energy Imbalance Service		106
Operating Reserve (OR) - Spinning Reserve Service		107
Operating Reserve (OR) - Supplemental Reserve Service		108
Transmission Losses		109

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240. FBC requests:
- a) A clarification to the existing Point to Point rate language in RS 101 and RS 102 and
 - b) Updates to the pricing for the existing Point to Point transmission rates and related ancillary services, including the closure of RS 102.¹¹³

¹¹¹ Exhibit B-1, page 88

¹¹² Exhibit B-1, page 89

¹¹³ Exhibit B-1, page 89

241. The impact of the changes in Transmission tariffs depends on the Commission's determination regarding the interpretation of the Point to Point ("**PTP**") rate language.¹¹⁴
242. If the Commission approves all of FBC's recommended changes to the Transmission tariff, including interpretation of the PTP language, then overall revenues will increase and flow through to all customers. If the interpretation of PTP language is not approved then overall revenue will go down.

CLARIFICATION OF EXISTING POINT TO POINT LANGUAGE

243. FBC believes that updates to the language contained in RS 101 (Long term and short term Firm PTP Transmission Service)¹¹⁵ is required because the rate schedules, if used to facilitate services other than those anticipated at the time of original approval can be incorrectly interpreted and result in a revenue loss for FBC, which would otherwise lower rates for load customers.¹¹⁶
244. No entity has ever used the Transmission Services for the provision of Wholesale or Retail Access as was originally intended. However, the export of self-generation ("**SG**") and Independent Power Producers ("**IPP**") output has been facilitated by RS 101 and select ancillary services.
245. Tariff language was originally developed to harmonize the transmission rates of FBC and BC Hydro to avoid the 'pancaking' of rates for customers that sought to serve their loads from a third party and where the transmission systems of both utilities would be required to deliver the power to the customer site.
246. The language, however, can be misinterpreted to enable customers that have generation capability to deliver power to BC Hydro where BC Hydro is purchasing the power to serve its network load without FBC receiving any wheeling revenue.¹¹⁷
247. The CEC submits that the Commission's intent in the wording was very well articulated and should not be misused.
248. The Commission wrote:

The purpose and effect of the amendments is to relieve wholesale transmission customers from the requirement to pay both B.C. Hydro's and FBC's wholesale transmission rate by charging only the wholesale transmission rate of the utility within whose service area the customer is located.¹¹⁸

¹¹⁴ Exhibit B-8, BCUC 1.1.2

¹¹⁵ Note: and RS 102 in the event the Commission does not approve closure of RS 102

¹¹⁶ Exhibit B-1, page 92

¹¹⁷ Exhibit B-1, page 94

¹¹⁸ Exhibit B-1, page 95

249. The CEC notes that two self-generation customers are currently exporting power to BC Hydro without paying the appropriate transmission related charges to FBC.¹¹⁹
250. The CEC submits that it is inappropriate for FBC to forgo wheeling revenues that it would otherwise receive to facilitate the delivery, and that this is detrimental to other ratepayers.
251. FBC proposes the following addition to RS 101 short and long term¹²⁰ which is underlined.

The Monthly Rate is billed on the sum of the Reserved Capacity at each POD. The Monthly Rate will be zero (\$0.00) where the POD is a point of interconnection between the Transmission System and the transmission system of the B.C. Hydro and Power Authority, and the power is being delivered to a load within or beyond the B.C. Hydro service area. For clarity, the zero rate is not available for the delivery of power to the BC Hydro system where there is no equivalent point-to-point transmission reservation on the BC Hydro system.

252. The CEC submits that the revision appropriately clarifies the tariffs without making unnecessary changes.
253. The CEC recommends that the Commission revise the tariff language to reflect the original intent of the tariff as proposed by FBC.

UPDATES TO PRICING AND REMOVAL OF RS 102

254. FBC proposes to simplify and update the pricing attached to the Transmission Service. Additionally, FBC seeks to remove RS 102 from the FBC electric tariff.¹²¹

REMOVAL OF RS 102 FROM THE FBC ELECTRIC TARIFF

255. FBC states that RS 102 is not required as FBC 'lacks any significant use of its transmission system that would normally underlie the provision of a non-firm wheeling service and none is anticipated'.¹²²
256. The CEC submits that there is no reason to maintain tariffs that do not serve a purpose and are not expected to do so in the foreseeable future.
257. The CEC recommends that the Commission approve the removal of RS 102 from the electric tariff.

¹¹⁹ Exhibit B-1, page 95

¹²⁰ And RS 102 if removal is not approved by the Commission

¹²¹ Exhibit B-1, page 96

¹²² Exhibit B-1, page 97

UPDATES TO TRANSMISSION PRICING

- 258. The current RS 101 and 102 rates include a Customer Charge and pricing that varies by customer type and connection voltage, and by reservation time.
- 259. FBC proposes to eliminate the Customer Charge as it is not a feature of Open Access Transmission Tariff rates, and to set pricing according to connection voltage without regard for the classification of customer as Commercial or Wholesale.¹²³

Table 7-5: Updated PTP Transmission Rates

Delivery	Transmission*	Distribution*
Monthly	4.20	8.07
Weekly	0.9692	1.8623
Daily	0.1381	0.2653
Hourly	0.0058	0.0111

* Per KW of Reserved Capacity Billing Demand

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- 260. The minimum price remains at \$0.002/kW/hour.
- 261. FBC provides the following Summary Table at page 106 of the application.

Table 7-8: PTP Transmission Rates: Current and Proposed

	Large Commercial Service Transmission	Wholesale - Primary	Wholesale - Transmission	Transmission	Primary
	Current Rates			Proposed Rates	
Long-Term Service					
Customer Charge (\$ Per POD/month)	3,185.00	2,537.00	467.00	n/c	n/c
Reserved Capacity Charge (\$ per kVA)	5.41	9.89	5.10	n/c	n/c
Short-Term Service					
Customer Charge (\$ Per POD/month)	3,185.00	2,537.00	467.00	n/c	n/c
Reserved Capacity Charge (\$ per kVA)					
Monthly Rate	7.25	13.30	6.85	4.20	8.07
Weekly Rate	1.87	3.53	1.78	0.9692	1.8623
Daily Rate	0.323	0.555	0.311	0.1381	0.2653
Hourly Rate	0.016	0.0291	0.015	0.0058	0.0111

- 262. The CEC submits that the removal of the Customer Charge is reasonable and agrees that there is no requirement to distinguish between the classification of the customer.

¹²³ Exhibit B-1, page 97

¹²⁴ Exhibit B-1, page 97

263. The CEC recommends that the Commission approve the updated PTP Transmission rates as proposed by FBC.

Ancillary Services

264. Ancillary services include a variety of services necessary to support the transmission of electric power from seller to purchaser given the obligations of control areas and transmitting utilities within those control areas to maintain reliable operations of the interconnected transmission system.
265. These includes RS 103-109 inclusive:
- RS 103 Scheduling System Control and Dispatch Service;
 - RS 104 Reactive Supply and Voltage Control;
 - RS 105 Regulation and Frequency Response Service;
 - RS 106 Energy Imbalance Service;
 - RS 107 Operating Reserve – Spinning;
 - RS 108 Operating Reserve – Supplemental;
 - RS 109 Loss Compensation.
266. FBC proposes a variety of pricing revisions based on its reviews of the Rate Schedules, COSA analyses and external influences.
267. FBC provides the following Summary Tables for Ancillary Service rates at pages 106-107 of the application.

Table 7-9: Ancillary Services Rates: Current and Proposed

			Large Commercial Service Transmission	Wholesale - Primary	Wholesale - Transmission	Primary	Transmission
			Current Rates			Proposed Rates	
Scheduling, System Control and Dispatch Service	103	Per kWh	\$0.00126	\$0.00132	\$0.00126	Monthly: \$0.1669/kW Weekly: \$0.0385/kW Daily: \$0.0055/kW Monthly: \$0.00023/kW	
Reactive Supply and Voltage Control from Generation Sources Services	104	Per kWh	\$0.00141	\$0.00132	\$0.00132	\$0.825 per MW of Reserved Capacity per hour.	
Regulation and Frequency Response Service	105	Per MW per hour of generating capacity; minimum of 2% of the Customer's load	\$13.62			\$9.31	
Energy Imbalance Service	106		\$0.05043	\$0.0480	\$0.04798	See Tariff Pages	
Operating Reserve (OR) - Spinning Reserve Service	107	Minimum level of service required per Tariff	\$13.62			\$9.31	

			Large Commercial Service Transmission	Wholesale - Primary	Wholesale - Transmission	Primary	Transmission
			Current Rates			Proposed Rates	
Operating Reserve (OR) - Supplemental Reserve Service	108	Minimum level of service required per Tariff	\$13.62			\$9.31	
Transmission Losses	109		6.08%	11.53%	6.08%	4.26%	2.86%

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- 268. The CEC has reviewed the evidence and is satisfied that FBC's proposals are appropriate and cost-based.
- 269. The CEC recommends that the Commission approve FBC's proposals related to changes in Transmission pricing for Ancillary Services.

OPTIONAL TOU RATES

- 270. Optional TOU rates are discussed in Section 8 of the Application.
- 271. FBC currently offers time-differentiated, or TOU rates for all of its retail rate classes, although the rate for residential customers has been closed to new participants since 2012.¹²⁶
- 272. The existing TOU rates do not reflect costs to which FBC is exposed and offering these rates to customers has no relation to cost savings that may be garnered through their adoption.¹²⁷

¹²⁵ Exhibit B-1, page 106 and 107

¹²⁶ Exhibit B-1, page 108

¹²⁷ Exhibit B-21, BCUC 2.132.1

273. The current TOU rates contain only an on-peak and off-peak period.¹²⁸
274. FBC’s analysis revealed that system loads would be better reflected with an on-peak, mid-peak and off-peak period, which is consistent with typical TOU rates in other jurisdictions.¹²⁹
275. FBC proposes the following TOU periods, which were developed by examining the total system loads by the hour for the past five years and to group periods with similar load levels into TOU periods.¹³⁰

Table 8-7: Proposed TOU Periods

	Winter	Shoulder	Summer
On-Peak	7 am to 12 pm 4 pm to 9 pm weekdays		12 pm to 9 pm weekdays
Mid-Peak	12 pm to 4 pm weekdays	7 am to 9 pm weekdays	7 am to 12 pm weekdays
Off-Peak	9 pm to 7 am weekdays and all day weekends and Holidays	9 pm to 7 am weekdays and all day weekends and Holidays	9 pm to 7 am weekdays and all day weekends and Holidays

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276. FBC’s cost differentials were derived as described in the application and the result is as follows:

Table 8-8: TOU Rate Differential Derivation

	Annual Cost	Energy Amount	Cost Differential per kWh
On-Peak Peak Capacity Cost of Both Purchased and Owned Resources	\$56 million	530 GWh On-Peak	\$0.1057
Mid-Peak Energy Purchases Beyond Output from Owned Resources	\$42 million	1,092 GWh Mid-Peak	\$0.0259

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277. The pricing differentials form the basis of the TOU rates and are the same for all rate classes.

¹²⁸ Exhibit B-1, page 110

¹²⁹ Exhibit B-1, page 110

¹³⁰ Exhibit B-1, page 110

¹³¹ Exhibit B-1, page 112

¹³² Exhibit B-1, page 113

278. Using load breakdown by time period and rate class, elasticity assumptions and time differentiated cost differentials, FBC developed the following rate schedule.

Table 8-10: Revised TOU Rates

Rate Class	On-Peak Rate	Mid-Peak Rate	Off-Peak Rate
Residential	\$0.22435	\$0.11869	\$0.09280
Small Commercial	\$0.20675	\$0.10109	\$0.07520
Commercial	\$0.19795	\$0.09229	\$0.06640
Large Commercial Primary	\$0.19285	\$0.08719	\$0.06130
Large Commercial Transmission	\$0.18395	\$0.07829	\$0.05240
Wholesale Primary	\$0.19995	\$0.09429	\$0.06840
Wholesale Transmission	\$0.19185	\$0.08619	\$0.06030
Irrigation	\$0.17869	\$0.07303	\$0.04714

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279. FBC is proposing to track and review the results of the TOU program and, after a period of three years, provide a recommendation to the Commission as to whether or not to continue the rates.¹³⁴
280. FBC customers taking service under the Radio Off AMI Option or customers with non-communicating AMI meters can take service under the proposed optional TOU rates.¹³⁵
281. Participation rates are not known at this time, and cannot be reasonably estimated prior to implementation.¹³⁶
282. The BCUC inquired as to what FBC might do differently to increase customer uptake for each of the TOU rate classes in BCUC 1.76.5.2. FBC states that it intends to continue to encourage customers to contact customer service directly if they have any questions about FBC's services and will update communication materials, such as on the FortisBC website.¹³⁷
283. FBC is not considering a survey of its existing TOU customers at this time. FBC notes that the current residential TOU rate is closed to new customers and a survey of existing customers would serve little purpose since FBC maintains this rate only as a legacy offering and is not planning any changes to it.

¹³³ Exhibit B-1, page 115

¹³⁴ Exhibit B-1, page 115

¹³⁵ Exhibit B-21, BCUC 2.133.1

¹³⁶ Exhibit B8, BCUC 1.94.1

¹³⁷ Exhibit B-8, BCUC 1.76.5.2

284. Should the new TOU rates be approved then the Company will open a dialogue with participants in order to provide feedback to the Commission during the three-year trial period.¹³⁸

CEC CONCLUSION ON TOU RATES

285. The CEC is of the view that optional TOU rates provide a valuable opportunity for ratepayers to reduce their customer bills and for the utility to manage its costs.
286. The CEC notes that only five customers have left the TOU rates since the introduction of the RCR in 2012.¹³⁹
287. The CEC submits that a three-year trial period is appropriate in that it will likely provide sufficient opportunity to customers to become aware of and utilize TOU rates and make their determinations as to whether or not they are preferred for their individual circumstances. Similarly, FBC will have the opportunity to determine the impact of TOU rates on their costs.
288. The CEC is satisfied that the proposed schedule and rates are appropriate.
289. The CEC is also satisfied with FBC's proposed approach to the KID request.
290. The CEC recommends that the Commission approve FBC's proposal as provided for in the application.

OTHER RATE SCHEDULES

291. FBC discusses various changes to Other Rate Schedules (RS 50, 73, 74, 80, 81, 82 and 90).
292. The changes are generally limited to moving certain aspects of the rate schedule into General Terms and Conditions or removing various schedules from the tariff.
293. The CEC has no objections to FBC's proposals related to Other Rate Schedules.
294. The CEC recommends that the Commission approve the changes to Other Rate Schedules as provided in FBC's application.

GENERAL TERMS AND CONDITIONS

295. FBC discusses its proposed revisions to the General Terms and Conditions ("GT&C") in Section 10 of the Application.
296. FBC provides a summary of its proposed amendments to the GT&C which include:

¹³⁸ Exhibit B-25, CEC 2.57.1

¹³⁹ Exhibit B-25, CEC 2.57.2

- Renaming of FBC's Terms and Conditions (T&C) to General Terms and Conditions (GT&C);
- Regrouping of GT&Cs into smaller subsections for easier referencing;
- Alignment of security deposit policy to match FEI GT&Cs;
- Alignment of applicable Definitions with FEI GT&Cs;
- Updates and increased clarity regarding criteria for Residential Service;
- Updates and increased clarity regarding criteria for Commercial Service;
- Updates and increased clarity regarding criteria for partial Commercial use at Residential Premises;
- Relocation and reorganization of the following Schedules from rate schedules to Terms and Conditions in line with FEI and BC Hydro;
- Updates to and removal of certain Standard Charges to reflect current costs and operating environment.

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297. The CEC has reviewed the evidence and submits that FBC's proposed changes are appropriate.
298. The CEC recommends that the Commission approve FBC's proposed changes to its GT&C as proposed by FBC in the application.

CONCLUSION

299. The CEC is of the view that the FortisBC COSA assessment is sound and has been conducted according to the proper theories and relevant principles and with the most up to date information reasonably available. Accordingly, the CEC submits that the COSA information, and the Revenue to Cost ratios developed thereby, represent the best evidence that the Commission has at its disposal.
300. The CEC submits that the Commission should rely on this information and apply its judgements and discretion in determining whether or not to rebalance.
301. The CEC recommends that the Commission disregard the +/- 5% Range of Reasonableness as proposed by FortisBC.
302. The CEC submits that it would be appropriate for the Commission to consider the consistency of the R:C ratios over time in determining the appropriate weight to assign the R:C ratios, as one input into the assessment of when and how much to rebalance.
303. The CEC submits that, in the absence of other factors, all rebalancing should be undertaken towards unity as the fairest objective using the best available information.

¹⁴⁰ Exhibit B-1, page 120

304. The CEC recommends that the Commission direct FBC to rebalance towards unity at this time and in the future.
305. The CEC supports FBC's proposed rate changes related to Fixed Cost Recoveries as being appropriate and moving towards increased fairness.
306. The CEC points out the balance of concerns regarding the move to Flat Rates for the residential sector.
307. The CEC notes that FBC has identified significant customer concerns with the Residential Conservation Rate which support a change.
308. The CEC submits that BCSEA has provided credible evidence as to why the RCR might be maintained.
309. The CEC recommends that the Commission request FBC to continue to conduct further customer awareness and understanding activities should the Commission decide to continue with the RCR.
310. Should the Commission determine that it is best to move to a flat rate schedule, the CEC recommends that the Commission approve the proposal provided by FBC.
311. The CEC supports FBC's proposals with regard to Commercial, Wholesale and Irrigation rate classes, but recommends that the Commission require a phased approach or other mitigation for increases in RS 21 that exceed 10%.
312. The CEC supports FBC's proposals with regard to Transformation Discounts, Transmission services and Optional Time of Use rates.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

David Craig

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Christopher P. Weafer, Counsel for the Commercial
Energy Consumers Association of British Columbia