BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT,
R.S.B.C. 1996, CHAPTER 473

And

An application by FortisBC Inc.
for Approval of Residential Inclining Block Rate

Vancouver, B.C.
August 3rd, 2011

PROCEDURAL CONFERENCE

BEFORE:

D. Morton, Chairperson
M. R. Harle, Commissioner
L. A. O'Hara, Commissioner

VOLUME 1
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THE CHAIRPERSON: Good morning, ladies and gentlemen.
Can you hear me okay? Yeah. My name is Dave Morton. With me are Commissioners Liisa O'Hara and Mike Harle. Welcome to this morning's proceeding to consider various procedural matters related to FortisBC Inc.'s residential inclining block rate application.

Let's begin by reviewing some of the key events that led to this morning's procedural conference. By Order G-156-10, the Commission directed Fortis to file an application for a conservation RIB rate by March 31st, 2011. On March 31st, 2011, Fortis filed that application.

By Order G-68-11, dated April 12th, 2011, the panel established an initial regulatory timetable for the hearing of the application. The Order provided for, among other matters, two rounds of Information Requests and a procedural conference to take place in Kelowna on May the 10th, 2011. The panel subsequently cancelled the procedural conference due to the limited number of attendance confirmations and requested written submissions on the procedural matters that it had intended to canvass at the
procedural conference.

Following the receipt of the written submissions, by Order G-94-11, dated May the 20th, 2011, with accompanying reasons for decision, the panel issued a revised regulatory timetable which provided for, among other matters, a written hearing process. A corrected regulatory timetable was issued on May the 30th.

Following the first round of IRs, Commission staff identified various issues in some of the responses. By letter dated June 24th, the panel suspended the regulatory timetable pending an investigation by Fortis staff into the issues raised by Commission staff and the receipt of a proposed update from Fortis. On June 27th, Fortis submitted errata number three, relating to one table in the application, and certain of its IR responses.

The panel, upon reviewing the original and the errata responses, felt that the response was lacking and had some further questions of its own. Accordingly, by letter dated July the 8th, the panel issued a set of IRs.

By letter dated July 12th, the panel confirmed that the regulatory timetable remained suspended. Fortis responded to the panel IRs on Friday, June 23rd. Upon review of these responses, the
panel finds that there are still some outstanding questions that need to be addressed.

In addition, Mr. Shadrack, upon failing to receive a response to some of his questions in IR #1, asked the Commission to order Fortis to respond. The panel provided Fortis an opportunity to provide a reply submission to Mr. Shadrack's request. Fortis then responded to Mr. Shadrack's questions, but Mr. Shadrack remains unsatisfied with their response.

Accordingly, by letter dated July 25th, which is Exhibit A-15, the panel established this morning's procedural conference. A-15 identifies the matters for which the panel is seeking submissions. Those matters are the following:

Number one, is the record sufficient to establish the level of basic charge in view of the findings of Order G-156-10, and the accompanying decision on pages 56 and 57? Or should further evidence be filed? What is the relative importance of the COSA-derived level vis-à-vis the importance of sending appropriate pricing signals for conservation and energy efficiency?

The second matter, is the record sufficient to establish the relationship between the basic charge block 1 and block 2 rates and the threshold? Does the record allow for convenient comparison of the rate
Number three, does the application clearly articulate, develop and test the pricing principles?

Proceeding Time 10:05 a.m. T02

And four, does the application adequately project and assess the impact on conservation?

Fifth, does the record provide a clear understanding of FortisBC's plans regarding establishment of the RIB rate and the TOU rates?

MS. SLACK GOODMAN: Excuse me. This is number thirteen, Buryl Slack. There's too much background noise to even hear you. If something could be done about that, thank you.

THE CHAIRPERSON: There is no background noise in the room here. Perhaps there's someone who's on a conference line that's got background noise. If so, perhaps you could mute your telephone and only unmute it when you want to talk, please. Okay?

Okay, continuing on, the sixth matter on which we are seeking submissions today, are there subject areas where additional evidence would further contribute towards establishing a RIB rate with appropriate pricing signals? And seven, does the hearing of the application by way of written hearing remain preferable to an oral hearing process, or would there be advantages to establishing an oral hearing
process at this time?

At this stage it's my pleasure to acknowledge and introduce a number of individuals who will play an important role in the review of this application. Julie Tran, senior economist, is lead staff, while Doug Chong, director of strategic services, continues to play a key role in the proceeding. Commission Counsel for this proceeding is Gordon Fulton from Boughton Law Corporation. And last but not least is our hearing officer, Mr. Hal Bemister.

The person who said that there was a lot of background noise, are you still experiencing the background noise?

MS. SLACK GOODMAN: Yes, there's giggling and laughing and rattling and --

THE CHAIRPERSON: Okay, could I please ask everyone who is attending by telephone to mute their telephone, and only unmute it when you wish to speak, please. Thank you.

Before Mr. Fulton takes over, I would like to ask you to please make sure that your submissions are directed to the issues that I've just outlined, together with any other issues that you or any other participants identify and that the Panel accepts as appropriate. In identifying any additional issues,
please bear in mind that it's not the purpose or the goal of this hearing to determine a RIB rate, or even to compare or discuss the merits of specific rates, but it's to address the issues that I've just described.

After appearances, the order of submissions will begin with Fortis and then follow the order of appearances. Once we reach the end of the interveners, then beginning with the last intervenor to speak, interveners will have a right to reply to the previous submissions in reverse order, and Fortis will have the right of final reply.

After hearing the submissions, the Panel intends to issue a new procedural order which will address the need for additional evidence, if any, and amended regulatory timetable and the nature of the balance of the hearing whether written or oral.

Proceeding Time 10:09 a.m. T03

I'm now going to ask Mr. Fulton to call for appearances. As you enter your appearance, please identify any additional issues that you wish to add to the agenda for consideration. Mr. Fulton, please proceed.

MR. FULTON: Thank you. Good morning, panel. I'll begin with calling the applicant, FortisBC Inc.

MS. HERBST: Thank you, Mr. Fulton. Thank you, panel.
My name is Ludmilla Herbst, H-E-R-B-S-T. And I'm here for FortisBC. I'd also like to introduce a few other people who are here and may speak at various points today. Dennis Swanson, from Kelowna, the director of regulatory affairs. Corey Sinclair, who is one of FortisBC's managers, regulatory affairs. And also seated in the row behind, Ms. Gail Tabone, who is the lead consultant from EES, who was involved in preparing the RIB application. And we have no additional issues to be discussed. Thank you.


MS. WORTH: Good morning, Commission panel. My name is Leigha Worth, W-O-R-T-H. Here as counsel, with my co-counsel, Ms. Roz Salvador, at the back of the room, on behalf of our clients, BCOAPO et al. We have no further issues to add to the list.

THE CHAIRPERSON: Thank you.

MS. WORTH: Thank you.

MR. FULTON: B.C. Sustainable Energy Association.

MR. FULTON: Okanagan Environmental Industry Alliance.

No response. Irrigation Ratepayers' Group.

Mr. Chair, I received an e-mail from Mr. Weisberg yesterday, who advised that he did not expect to be participating today.

THE CHAIRPERSON: Okay, thank you.


MR. SHADRACK: Hello. My name is Andy Shadrack, S-H-A-D-R-A-C-K. I currently serve as the director for Area D in the Regional District, Central Kootenay. I chair their rural affairs committee, and I am vice-president of the Association of Kootenay Boundary Local Government, but I am appearing on my own behalf as a residential customer of the last 24 years.

And I had a real hard time hearing the representative from the B.C. Old Age Pensioners' Association.

MR. FULTON: Richard Tarnoff.

MR. TARNOFF: Good morning. Richard Tarnoff, T-A-R-N-O-F-F. I am representing myself and I have nothing to add at this time.

MR. FULTON: Beryl Slack Goodman.

MS. SLACK GOODMAN: Buryl Slack, S-L-A-C-K, representing myself, but I am also on the DSM group. Thank you.
MR. FULTON:   Norman Gabana.

MR. GABANA:   Yes. Just interested, representing myself.  

MR. FULTON:   Rosika Rajapakshe. No response. Russell  
Work. No response. That concludes the appearances,  
Mr. Chairman. So I will now turn the mike over to Ms.  
Herbst on behalf of FortisBC.

Proceeding Time 10:13 a.m. T04

SUBMISSIONS BY MS. HERBST:

MS. HERBST:   Thank you, Mr. Fulton. Thank you, Panel.  
If I may just start, I have a few  
administrative matters to run through just in terms of  
documentation that we've provided to you, and I just  
worried if I could clarify one more administrative  
matter. Mr. Shadrack introduced himself with  
reference to his designation as an officer, I believe,  
of Area D. I just wanted to clarify if Mr. Shadrack  
is simply speaking on his own behalf or also on behalf  
of a separate organization, if that would be possible.

MR. FULTON:   Mr. Shadrack, I believe you did say that you  
were representing yourself, but perhaps you could  
confirm that.

MR. SHADRACK:   Yes, I said I'm representing myself as a  
residential customer of the last 24 years.

MS. HERBST:   Thank you very much. And just on another  
administrative note, I will be making some reference
in responding to the seven questions to some correspondence that we submitted yesterday, dated August 2\textsuperscript{nd}, and it's a lengthy letter addressing the seven questions with a two-page enclosure setting out two pages of spreadsheets. We've also provided and handed up through Mr. Bemister an enlarged copy of that spreadsheet for greater ease of reading. Certainly my own glasses didn't compensate enough for the small print.

I've also handed around, but I should note that I have extra copies of that enlarged spreadsheet, and I'm sorry, the enlarged spreadsheet is one thing that we weren't able to provide via e-mail to the participants who are attending by telephone. But certainly we would be happy to mail it to them directly. It's just that it comes by way of hard copy.

And so turning, with reference to our letter, to the seven questions that the Panel has posed, and that's our letter of August 2\textsuperscript{nd}. And by way of summary, in referring to the Panel's overall questions or the Commission's overall questions at the start of its correspondence, it's our view that subject to the further round of information requests that was contemplated in the original regulatory timetable, there is sufficient evidence in the record
to introduce a RIB rate – and I'm shortening it somewhat informally, but by RIB rate I of course mean the residential inclining block rate – in FortisBC's service territory. As reflected by those in attendance today, FortisBC has put a lot of time and attention and effort into preparing its application, and it believes there are a sufficient number of options and a sufficient body of evidence to review the appropriate rate to be applied.

Also in summary, it's our submission that a written process remains the preferable and appropriate means of resolving this application rather than an oral hearing.

And so turning to the sub-issues that the Commission identified as relevant to addressing those wider issues, at the first of those was whether the record is sufficient – this was question 1 – to establish the level of basic charge, in view of the findings of Order G-156-10, and the accompanying decision, or whether further evidence should be filed. And our submission is, and this is really starting at the top of page 2, that there is sufficient evidence in the record – again, subject to a further round of information requests – to establish the level of basic charge. And broken down, the reasons that we say that's so in a number of sub-paragraphs here, starting
near the top of page 2, first of all, in sub-paragraph (a) and with reference to the order and decision that the Commission made note of in its correspondence, the parameters have been set in the sense that we know FortisBC has been mandated to establish a lower basic charge. The question is, we submit, how that should be done. And I get below to the evidence below to the evidence that we have introduced of the approach that we have taken to that.

Proceeding Time 10:18 a.m. T05

So that is sub-paragraph (a), the parameters have been set by the earlier decision and Order.

Given the parameters, and given that the Commission found in its decision on the rate design application that Fortis filed in 2009 that increasing the basic charge would be unacceptable, that's obviously something off the table, and not something about which evidence has been adduced nor, we would submit, need be adduced.

In sub-paragraph (c), we talk about the fact that no evidence, or no further evidence, is required to support the pre-RIB basic charge. And why that's relevant as a starting-off point is that it's the rate, or it's the level, that FortisBC used as a starting point in its RIB structure as well. And the
current basic charge is something that was established through the COSA, through the rate design application, and through the compliance filings that were submitted thereafter. And so the $28.93 that appears in various of the formulations of the RIB rate that FortisBC has put forward is in fact the current rate reflecting Commission-approved rate increases up to and including the May 1st, 2011 rate rebalancing.

Now, perhaps then more pertinently, and more centrally, from sub-paragraph (d), how should the basic charge be lowered? And is there sufficient evidence on the record of how and to the extent of -- how, and the extent to which it should be lowered. And we say that there is, and break that down into a number of sub-paragraphs as well.

So first of all, there is evidence on the record as to the basic point in FortisBC's application, the manner in which the basic charge should be lowered. The manner in which FortisBC has suggested that be done is effectively to freeze it, so that it's not subject to general rate increases, simply rebalancing would be an adjustment applied to the basic charge portion of the rate structure. But otherwise, it would remain frozen, in contrast to the other elements of the rate structure, the block rates that we'll get to later on. So, that approach,
generally speaking, is in the application and in the evidence.

In conjunction with that as well, and as is evident from the spreadsheet, FortisBC has filed evidence particular to the application of the $28.93 basic charge, has frozen in various scenarios with different thresholds and so on. So there is a body of evidence that relates to that as well.

So, that's FortisBC's approach, in terms of the basic charge. FortisBC has also filed evidence, and this is in sub-paragraph (ii). Sorry, many, many sub-paragraphs in this letter. FortisBC has filed evidence as to particular lower basic charges in the sense -- in this sense I am using the word "lower" in terms of an outright reduction to the basic charge. And so that's not FortisBC's preferred approach. It prefers to lower by freezing, and have it lower as a proportion of the customer revenue collected, but it's also filed evidence as to particular outright cuts to basic charges. And so the particular levels of basic charge that it has filed evidence on are set out starting at the bottom of page 2, and that's the level of $21.50. And just for reference, on the spreadsheet, that's in rows 10 to 18, 32, 42 to 50, 81 to 88.

Turning to the top of page 3, it's also
filed evidence on a $15 basic charge. And of course this has been in response to Information Requests as well. And on the spreadsheet, that's reflected in a number of rows as well. From my scan of them, it's rows 28 to 30 and 66 to 71.

Also, it's filed evidence on a $10 basic charge. On the spreadsheet that's rows 60 to 65. A $7.50 basic charge at rows 19 to 27, and a zero dollar basic charge, or effectively no basic charge, at rows 51 to 59. So those are the various numerical expressions of basic charges on which FortisBC has filed evidence.

Proceeding Time 10:22 a.m. T06

FortisBC has also filed evidence, and this is at the first full paragraph, or the first Roman numeral paragraph on page 3, the theoretical impact or the principal impact of an outright cut to the basic charge. And the nature of the evidence that FortisBC has filed in this regard is set out in the three subparagraphs following. It's filed evidence on the impact of an outright cut to the basic charge on average energy rates. Its evidence is that a lower customer charges creates higher average energy rates by virtue of the need to collect the same revenue requirements. It's also filed evidence on block differentials. It's filed evidence saying that the
lower customer charge creates a lower block differential. Again, the need to collect the same revenue requirement, coupled with the need to avoid unfair or unreasonable customer impacts, has that effect coupled all together.

FortisBC has filed evidence as well on the impact of an outright cut to basic charges on customer bills, and that's set out in subparagraph (b). It said that lowering the customer charge would benefit customers at low consumption levels and increase bills for customers with high consumption levels. This is the same effect that a RIB rate has generally, and so FortisBC's evidence is that it's a dual-pronged -- if the two are coupled, it's a dual pronged effect.

And FortisBC has filed evidence on the shortfall between existing basic charges, and by extension, by implication, the lower basic charges and COSA allocated costs.

THE CHAIRPERSON: A question please. I would just like to clarify.

MS. HERBST: Yes.

THE CHAIRPERSON: Throughout the narrative and what you're saying, you refer to a basic charge. And then on the spreadsheet it's referred to as a customer charge. Can you confirm that those terms are used interchangeably --
MS. HERBST: Yes.

THE CHAIRPERSON: -- here and throughout the application?

MS. HERBST: Yes, I'm sorry, I should have confirmed that, and yes, absolutely they are. They're intended to reflect the same, the same concept.

THE CHAIRPERSON: Thank you.

MS. HERBST: And I should -- which brings to mind another point that I've been asked to clarify on the spreadsheet and I omitted to. In the last full column, "Conservation Impact", there is just a decimal point difference in the subheadings. It's because this table was prepared by cutting and pasting portions of evidence that had already been filed, and I think one errata just hadn't been caught in preparing the headings.

So in the leftmost row of -- sorry, leftmost column of "Conservation Impact", it's presently .05/.01. It should be .05/.1. And that's a small thing but it could of course be pertinent, and our apologies for that.

THE CHAIRPERSON: Go ahead.

MS. HERBST: Thank you. So that's a summary of the evidence that we say is on the record in terms of the basic charge as a whole.

The Commission also asked more particularly about the relative importance of COSA derived levels
vis-à-vis the importance of sending appropriate pricing signals for conservation and energy efficiency. And that's something that we address starting part way down page 4 of the correspondence. And just note by way of background that setting the basic charge at a COSA derived level or with reference to COSA is something that is faithful to Principle 2 of the Bonbright right principles that are so often invoked. That is the fair apportionment of costs among customers. Appropriate cost recovery should be reflected in rates.

**Proceeding Time 10:26 a.m. T07**

Of course, there are other principles that Bonbright has set out, and the appropriate pricing signals for conversation and energy efficiency tie into his principle 3, which are price signals that encourage sufficient use and discourage inefficient use, considering social issues including environmental and energy policy. It's also, of course, reflective of something that was in the 2007 energy plan and conservation imperatives more generally.

And so, with that background, the Commission, of course, in its 2009 -- dated 2010, but on FortisBC's 2009 rate design application, said in setting the parameters for this application, in effect, that Bonbright principle three, regarding the
price signals, encouraging conservation, should trump principle two, which seems to support a higher basic charge. And so that's one means of prioritization which certainly was taken into account, and we submit put into effect in devising the basic framework for the RIB application.

And so, the deference that was paid to that was certainly the basic charge wasn't increased, which would have undercut conservation objectives, although it would have gotten closer to cost allocation objectives. And further to that, the basic charge, under the RIB application, has been lowered or is proposed to be lowered as a proportion of the overall customer revenue collected.

And I should just note before I go further, just on the top of page 5, in my enthusiasm for trying to shorten this and put in shorthand, I have managed to put in the wrong principle number. So the first sentence on that page should be: "In light of the Commission's assignment of a greater priority to principle 3," which is of course the conservation one, "than principle 2." And so again, with that framework, FortisBC put forward a RIB application that freezes the basic charge and causes it to go down as a proportion of overall revenue collected.

But taking the Commission's question in
terms of going forward, once that framework is set, it's FortisBC's submission that, as between the two, and perhaps not just as competition between the two, but considering the other Bonbright principles, principle 3, the conservation one, has a fairly limited, for practical purposes, impact in terms of determining which rate option should be chosen. And principle 2, and the other Bonbright principles, deserve a fair bit of consideration.

And I say that, of course, mindful that a RIB rate is conservation-oriented, and so certainly FortisBC did take potential conservation impact into account, and that's set out in the last column of the spreadsheet. But the analysis that FortisBC has done has also indicated that the particular conservation impacts, or the differences between them, in terms of evaluating the options, are relatively small to the extent that the options that are considered are the ones that have not an unreasonable customer bill impact. And that's a key criterion that FortisBC applied in terms of evaluating options as well.

And that's partly in light of the fact that, you know, it's often assumed, I think, that the person who most will have to pay for a RIB rate with a higher basic charge and so on is the person with the biggest home and the flashiest home. But as it's been
pointed out to me, FortisBC is very mindful of the fact that it can't tell which customers will be unable to make a choice away from electricity. So there may be some very low-income customers who are caught in a situation of having no alternatives. And so it's been very mindful of customer impact.

Given that, as between the alternatives that have a reasonable, in FortisBC's view, customer impact, the conservation impacts are relatively limited, other principles, other Bonbright principles, it's submitted, can come to the fore. And that's in the evidence as well. And I should say as well, while I'm conscious as I'm speaking that this is sounding somewhat like a final argument, these are matters that are set out at various points in the evidence, and I'm trying to compile that evidentiary record in a more convenient way here.

**Proceeding Time 10:31 a.m. T08**

So, given the context, we say, of relatively limited conservation differences between acceptable rate options, things like cost allocation, we say, should remain an important consideration, and not undercuts the amount of fixed charges that are collected from customers other than to the extent needed by the parameters originally set for the application.
Other considerations that we have submitted, and that's in subparagraph (c) at the bottom of the page, are revenue stability, another of the Bonbright principles. So again, not simply a competition between principles 2 and 3 but also taking into account others. So principle 7 is revenue stability, and the idea here is that as more -- as there's a lesser proportion of rate revenue collected from fixed charges and more from variable charges, revenue stability must necessarily be undercut to some extent.

Other Bonbright principles that we say should be taken into account are principles 4, customer understanding and acceptance, and principle 8, rate stability. Customer impact should be -- rate impact should be managed. And that's something that was touched on in some of my earlier submissions to the extent that in determining what is the range of acceptable rate options, FortisBC very much took that into account. And so within that range, the conservation differences were relatively limited.

So that's a very long answer to question 1. I'm hopeful that you will progress a lot faster through the rest of the Commission's questions.

And the second of the questions that the Commission posed in its July 25th letter is whether the
record is sufficient to establish the relationship between the basic charge, Block 1 and Block 2 rates, and the threshold, and whether the record allows for convenient comparison of the RIB rate options.

And so we say yes, the record is sufficient to establish the relationship between those components of the rate structure, and both in general principle terms and in terms of applying those general principles to particular scenarios.

So in terms of general principle and setting out what the components are and what customer charge and threshold and Block 1 rate and Block 2 rate are, I've excerpted at the bottom of page 6 a portion of the application setting out definitionally what those are and what the relationship is. And for example, in terms of the relationship, as a matter of general principle, the role of the threshold is explained in subparagraphs 2 and 3. And then in Block 3 rate at subparagraph 3, that's the rate expressed in cents per kilowatt hour at which each kilowatt hour of consumption up to the threshold is billed. So of course the threshold is an important measure.

And turning to page 7, the testing and analysis that FortisBC has done has allowed it, we submit, to file a substantial body of evidence on the interaction between those four components, so the
customer charge or the basic charge, the threshold, the Block 1 rate, the Block 2 rate. And these are key aspects that appear in FortisBC's evidence and that are tested in FortisBC's evidence and are set out starting at paragraph (a) on page 7. So FortisBC is set out as a general principle again, and explaining how its evidence really interacts, that, because it has to design a rate that will recover its revenue requirements for the residential customer class, it can't allow all of the variables -- well, it can't allow all of these four things to be variable independently. At a minimum, one has to be dependant on their levels chosen for the other three so that the revenue requirement as a whole is collected.

What it actually did in terms of its application is set out in (b), and again I've got footnotes for the particular references, exhibit references. It determined block rates by setting the customer charge and threshold and introducing an allowable customer impact parameter, just returning again to the consideration of not having an unreasonable impact.

Proceeding Time 10:35 a.m. T09

With those numbers inputted, and applied and tested, it's clear that a decrease — and this is at (c) — in the initial level of the customer charge
results in an increase in the consumption-related billing associated with Block 1 and 2 charges, again, to recover the general revenue requirement.

It's also evident, and I think probably evident as a matter of principle, but certainly applied in terms of the scenarios that FortisBC has put forward, that the price signals that are contained in the differential between Block 1 and 2 rates are very important in terms of conservation impact. And as such, the price differential has to be sufficient to provide a meaningful signal to incent conservation behaviour. And that's been taken into account.

And also as a parameter, and as a consideration in the evidence, and about which evidence has been put forward at the top of page 8, those options that have differentials between Block 1 and 2 that are greater than 60 percent and less than 20 percent were found either to have too high a maximum bill impact, so have the customer concern, or too low a conservation impact, and so not deal with the thrust of principle 3.

So, those are the general statements that the evidence filed allows us to make.

But also in specific scenarios, or through specific scenarios, FortisBC has tested those out. And page 8 contains a summary of the sort of models
and options that have been set out, and that are reflected, indeed, in the spreadsheet. So various differences have been tested in terms of customer charge, threshold, and the implications for that for the other measures seen. And so 18 options were run in the initial application, with customer charges of -- or basic charges of $21.50 and $28.93 at three different threshold levels. Through IRs, there have been a lot of other variations, different customer charges, different threshold levels, and indeed also a level, or a structure, with additional steps than FortisBC proposes.

So, in terms of whether that record, with all those variations, allows for convenient comparison, which is another issue that the Commission flagged, and I think that's also flagged to deal a bit pre-emptively with the B.C. Sustainable Energy Association's second-round IRs, where it asks for a comparison to be set out between the options, we say, yes, the record does allow for convenient comparisons. And we say that for two reasons. First of all, to the extent that these numbers and figures have been derived from IRs, they have been set out to the best of FortisBC's ability in the manner that the interveners who requested them wanted. So, in terms of a convenient comparison that's most useful to the
particular intervener asking for the particular purpose, we hope that's been accomplished. But we hope as well that, through this spreadsheet which accumulates the information from the various sources, there is again an additional means of comparing the options more generally, and seeing how they relate together.

It's for the purpose of reading the spreadsheet, I just flagged that it's the eighth row down, option 8, that has been put forward as FortisBC's preferred option. But certainly as well the spreadsheet sets out various other possibilities that interveners may wish to make arguments about, or that the Commission may wish to consider holding various parameters constant or changing, and otherwise focusing on those aspects that interveners and the Commission feel are most important. But again, option 8 is the one that FortisBC has put forward as meeting the criteria that it believes are the most important.

Proceeding Time 10:37 a.m. T10

So, turning to question 3 of the July 25th letter: Does the application clearly articulate, develop and test the pricing principles? And here in our response to the question, we take pricing principles much in the manner that this has been used in the B.C. Hydro RIB proceedings, and that's pricing...
principles specifically in terms of how general rate increases are applied to the pricing elements of the RIB rate, so which elements are affected by general rate increases. And that could be one or more of the basic charge, the Block 1 rate, the Block 2 rate.

And so the evidence that FortisBC has filed includes, of course, what its preferred option is and that's the option that's set out in the central part of page 9, and that's a pricing principle whereby the customer charge would be effectively frozen but for rebalancing. So it would be exempt from the general revenue requirement rate increases. There would be rebalancing. Block 1 would be adjusted by the amount equal to the sum of general revenue requirement increases and any rebalancing again. And Block 2 in a sense would be the residual adjusted by an amount sufficient to recover the remaining -- the balance of the general revenue requirement and any rebalancing. And this has been set out in FortisBC's evidence in other wording as well, and that's set out with the reference in the middle of the page.

The Block 1 rate is escalated by both the forecast revenue requirement increase and the rebalancing increase. The Block 2 rate is determined independent of any set rate increase by dividing the revenue requirement remaining after subtracting the
basic charge and Block 1 revenues, so it is a residual, and dividing that by the expected Block 2 consumption.

And so that's the evidence and the statements about the pricing principles that FortisBC wants to apply. It's also filed evidence as to the implications of those pricing principles, and that evidence is summarized, although likely not with all the references to it, at the bottom of page 9. And so the implications about which FortisBC has filed evidence include, by exempting the existing customer charge from future rate increases, the proportion of the customer class revenue that's collected from the customer charge falls over time, and that's the approach that FortisBC took again to lowering the basic charge. It's lowered as a proportion of overall revenue collected.

What FortisBC has also found through some adjustments in its testing and adjustments and corrections, is that the increase in Block 2 rate is always going to be greater than the Block 1 rate, the increase in the Block 1 rate, using the methodology where the customer charge is frozen. And at the top of page 10 it's also found or it's also put into its evidence the potential of punitive results that it says its methodology avoids, and having applied annual
rate increases only to the Block 2 rate, which FortisBC doesn't propose, its evidence shows would have resulted in a ratio between Block 1 and Block 2 that's unduly punitive to high consumption consumers such as those with electric heat, people who don't have a choice.

And I won't read out, I'm sure to everyone's relief, the big block in the middle of page 10, but that's just some explanation that was in the original application as to the testing of various scenarios. And I should note as well, FortisBC's evidence has also included the fact that it didn't test a scenario in which the customer charge was both substantially lower — so, say, put at 750 — and frozen, so that the general increases wouldn't be applied over time. It's only in relation to the 2893 basic charge that -- the one that FortisBC proposes, that a freezing and exemption from general rate increases was proposed and tested.

So turning then to question 4, the adequacy of the protection and assessment of the impact on conservation. And of course this is an important consideration. It's again something that's reflected in the last column of FortisBC's spreadsheet. It most recently filed some errata on Friday just due to a spreadsheet modeling error, but it's certainly
something that FortisBC is keeping on top of, and very much mindful of in this application.

Proceeding Time 10:44 a.m. T11

And some of the findings that FortisBC has made, or had through its evidence, have been touched on later. It's certainly clear as well, and FortisBC has been open about this, that there is uncertainty in these conservation impacts. And it's an uncertainty that befalls, it appears, other RIB applications as well. It's been acknowledged in B.C. Hydro's RIB application, as I've set out some quotes on page 11. And that's simply because the price elasticity assumptions that have to be made are assumptions. Until a RIB rate comes into effect, it can't really be seen what customers will do. And indeed, even once a RIB rate comes into effect, measuring -- there may be an ability to measure the overall drop in consumption of electricity, but that may be coupled with other things, like DSM. So it's an inherently difficult process to go through.

However, the basic theory of RIB rates obviously is that consumption should be lowered, and consumers should be incented to be mindful of their consumption. And so in the past, the uncertainty hasn't prevented RIB rates from coming into effect, and FortisBC says the same should apply here. And
indeed, touching on what I touched on before, it doesn't look, through its testing, that there are particularly large differences in conservation impacts, when you engage those options that don't have an unreasonable impact on customers. So, it appears there is a fairly manageable range of uncertainty there.

Turning to question 5, and that is the question of RIB rate and TOU, and what are FortisBC's plans, and whether the record provides a clear understanding of them, and we hope this will be of some assistance because, of course, these questions have been discussed at various parts both within the application and in the responses to IRs, so it's a bit scattered. But we say that overall, and we've got the references here, the record establishes what FortisBC's plans are. And those are set out on page 12.

So, turning first to the present state of affairs, FortisBC presently offers time-of-use rates -- rate schedule 2A to residential customers. Very few residential customers are on these rates. And FortisBC doesn't promote them widely, but they are there if customers choose to take them on.

FortisBC's plan is to continue to preserve customer's option to take service under time-of-use
rates, and that's because they do offer some
conservation benefits. And so that option will remain
out there. They're not going to be widely promoted at
the moment at all.

When the RIB rate becomes effective, as
mandated by the Commission, FortisBC's plan – and this
is sub-paragraph (3) – is to make it the default
mandatory rate for all residential customers, other
than those few who are on time-of-use rate. So, in
terms of the practical impact, it seems that about 99
percent of FortisBC's -- or over 99 percent of
FortisBC's residential customers would be covered by
RIB rates once they come into effect.

And in devising the RIB rate, FortisBC is
clearly on the record, in the past, through the rate
design application and so on, as favouring time-of-use
rates. But that's not intruded into its devising of
the RIB rate. The RIB rate is a stand-alone program,
and it can be considered on a stand-alone basis. And
that's in (d).

In terms of future plans, or plans for how
this will evolve in the future, FortisBC still intends
to submit a CPCN for advanced metering infrastructure.
It hopes to do so still in 2011. And advanced
metering infrastructure is something that would allow
it to provide a wider option for time-of-use rates to
more customers, because it will be more practicable to implement. It doesn't, as I've said before, it's not promoting time of use rates widely now, and it wouldn't until advanced metering infrastructure comes into effect, because really it's not particularly feasible before then.

The present intention, in any event, is once RIB rates come into -- oh, sorry. Once time-of-use rates would come into effect, or would be made possible by advanced metering infrastructure, or I should say the provision of time-of-use rates more widely would be made possible by the provision of advanced metering infrastructure, it's FortisBC's plan to introduce some sort of suite of time-based rates that might be made available to residential customers. At least presently it's likely that that would simply be on the basis of voluntary participation. So those customers who think that they could achieve their conservation objectives, cut consumption, cut their bills, by using time-of-use would have that available to them, but not required of them.

Proceeding Time 10:49 a.m. T12

And so on page 13, (i) and (j) in terms of the relationship between time-of-use and RIB, FortisBC's view is that the rates can co-exist, but providing that one is optional. And so it doesn't
see, at the moment, a future in which a particular
customer would have both RIB and time-of-use rates.
It would be a choice between one or the other, just
because of the complications that are involved in
combining the two possibilities.

So the bottom line in terms of the
immediate future is that RIB, once mandated, would be
the mandatory default rate. Time-of-use would be
available -- time-of-use would be more available and
more widely promoted once advanced metering
infrastructure is available as well. And this is
something -- there may be some more to be said here.

B.C. Sustainable Energy Association has asked a
question as well about RIB and time-of-use rates in
its second round IRs, and so there may be some more to
be going on the record there.

So in terms of question 6 at the bottom of
page 13, are there subject areas where additional
evidence would further contribute toward establishing
a RIB rate with appropriate pricing signals? We don't
believe so, and probably the length at which I've
spoken suggests our belief that that's so, but that
being said, there is provision for a further round of
information requests, at least if the original
regulatory timetable is, in structure, reverted to.
And so in our view, if there are additional issues
that interveners or the Commission have, they can be explored through that process.

And then finally, I had touched on FortisBC's position in this regard by way of summary at the beginning, but in terms of more detail now, whether the hearing of the application by a written process remains preferable to an oral hearing. It's our submission that, yes, it does. A written process remains preferable, and we set out some of the reasons for that on page 14. It's evident from the nature of the information filed and the computation involved that a lot of the requests, or a lot of the information that's relevant to setting a RIB rate is quite detailed. It requires analysis of data and it requires a fair amount of computation, and those aren't matters that could be conveniently addressed by a witness panel answering questions orally. They're the sort of things that people need to go away and think about and compute and enter into whatever spreadsheets are devised.

We say that obviously there are some policy components of this, including, as the Commission has asked, the balancing between Bonbright principles 2 and 3 and maybe the other Bonbright principles as well. We say that could be addressed by way of written submission, much as has been done in our
correspondence, but, of course, fleshed out with all the evidence concluded. This is also in a context, we say, where interveners and the Commission had an opportunity to pose questions to FortisBC witnesses during the 2009 rate design application hearing in May 2010 in Kelowna, and so to the extent that the general conservation philosophies or rate design philosophies of the company are in question, those were recently fleshed out orally.

In addition, this is in a context where B.C. Hydro has had successive proceedings on RIB rates, including an oral hearing, but most recently I think in its repricing a written hearing, and it's very possible that the same sort of issues would simply come out in an oral hearing here. And that seemed to be one of the considerations, with which we agreed, that suggested to the Panel that an oral hearing wasn't the preferable way to go here, that it might just invite a revisiting of issues already canvassed.

Another consideration in subparagraph (e) is that while, of course, the RIB rate affects a very important customer class, it's a single customer class. And so to that extent it's not an issue that pertains to all FortisBC customers. It's also revenue neutral in that the customer class -- the same portion
of the overall revenue would be collected from that customer class as well, so other customer classes shouldn't be affected. And just by virtue of those factors and by virtue of the very process of distilling things into writing, it's our submission that a written hearing would be more timely and cost-effective.

And subject to any questions, those are our submissions on the seven points raised.

Proceeding Time 10:55 a.m. T13

CONFERENCE CALL OPERATOR: Participant exiting.

MR. SHADRACK: Andy Shadrack.

MS. HERBST: I'm sorry I had that effect.

THE CHAIRPERSON: Okay, thanks.

MS. HERBST: Thank you.


SUBMISSIONS BY MS. WORTH:

MS. WORTH: As many here know, the fair apportionment of costs among customers is one of the eight Bonbright principles for rate design, and it's --

CONFERENCE CALL OPERATOR: Participant.

MS. WORTH: Perhaps somebody is joining? Okay.

THE CHAIRPERSON: I think they got dropped.

MS. WORTH: Okay. And that is a principle of great concern to all customers, not just my clients.
A cost of service analysis determines the fair allocation of costs between customer classes, and whether the costs provide adequate recovery of each class's allocated costs. How a cost of service analysis is structured is very important to ensure that there is not an undue level of cross-subsidization as between customer classes. Rate design is more about ensuring each customer in a class is contributing their fair share towards the class's overall responsibility, as determined by the cost of service analysis. And to the extent that the actual customer charge varies from the cost of service derived basic charge, there will be a difference between the costs paid by individual customers in the class and the cost that can be attributed to the individual customers within that class.

As a result, in our view, rate design deals directly with the issue of inter-class subsidization. This is important in regards to issue 1, in our submission.

In considering the relative importance of the cost of service derived level for the basis charge vis-à-vis the importance of sending appropriate price signals for conservation, and energy efficiency, BCOAPO looks to the Bonbright principle that price signals should encourage efficient use and discourage
inefficient use.

Since the rates overall must be designed to recover the class's revenue requirement, it is, in our submission, generally not possible to exactly design rates that will result in a fair allocation of costs as between customers and also send those appropriate pricing signals. As my friend indicated, in its past decision the BCUC panel indicated that it believes the Bonbright principle 3 regarding the price signals encouraging conservation should trump principle 2, which seems to support a higher basic charge.

This suggests that the BCUC has perhaps determined that sending appropriate pricing signals for conservation is more important than setting the basic charge at a cost-of-service derived level. That, of course, is arguable.

However, in our submission, this does not necessarily mean that the question of customer charge vis-à-vis the cost-of-service derived customer costs can totally be ignored. In arriving at its decision, the BCUC did not have in front of it the evidence that is presented in this hearing as to what the appropriate price signals for conservation are, as applicable to FortisBC.

Therefore, it did not have the full facts to fully appreciate the trade-offs involved as between
the principles. In this regard, it seems that the BCOAPO and FortisBC is in some agreement. We do see that there is perhaps a balancing that needs to be done between the past decision and the facts that are before the panel today.

Now, in regards to the question, is the record sufficient to establish the level of the basic charge, and our answer on this particular issue at this time is no. More information is, in our submission, needed to establish FortisBC's marginal cost and on the composition of the cost-of-service derived customer costs.

The marginal costs, as FortisBC has noted, the various elements of the residential rates, are inter-related and cannot be set independently. When it established the level of the basic charge, it is important that they consider not only the effect that this will have on subsidization as between customers but also the effect it will have on the Block 1 and Block 2 rates. FortisBC has contended that the appropriate pricing signal is one that is sufficient to encourage some portion of customers to reduce their consumption. And furthermore, they have indicated that they would not dismiss a rate option simply because that Block 2 rate exceeded their marginal costs of supply.
Now, that's in contrast to the BCUC decision in the B.C. Hydro process, where they capped the Block 2 rate at their long-run marginal cost. This is of great concern to BCOAPO.

Proceeding Time 11:00 a.m. T14

This also ignores the view that prices which exceed marginal cost can lead to inefficient consumption decisions. In other words, discouraging appropriate uses of electricity, just as prices that are lower than marginal costs will lead to an inefficient consumption pattern.

As a result, it is important that the record for the proceeding include a clear understanding of what FortisBC's marginal costs are. Values that were provided in response to the first round of IRs, which were subsequently revised -- sorry, they were provided and then revised. However, it is still far from clear on how those values were determined, whether they reflected the costs of the residential meter, and in what year's dollars they are actually expressed as well. There is a need, in our submission, for additional evidence and discovery, preferably through IRs or a further FortisBC filing, to obtain clarification on these issues.

In regards to issue number 2, which poses the question: Is the record sufficient to establish
the relationship between the basic charge, Block 1 and Block 2 rates, and the threshold, and does the record allow for convenient comparisons of the RIB rate options? I'll deal first with the record being sufficient or insufficient to establish the relationship between the elements of the RIB.

The record, in my submission, is sufficient to understand how the rates are derived for the various options presented if you assume a 2011 implementation. However, FortisBC has acknowledged that the RIB will actually be implemented in mid-2012. In this case the record is not clear how the 2012 rib rates will be set. I mean, will the same pricing principles be used to define the illustrative 2011 rates under the preferred option be applied to the 2012 residential revenue requirement? Or will the proposed year-over-year pricing principles be applied to the 2011 rates in the application? This is, in my submission, perhaps an issue that could be clarified through further IRs.

More importantly, the record is not sufficiently developed to make a decision regarding which option is to be preferred at this point. BCOAPO does not anticipate that this will be an issue that will be easily cleared up in the second round of IRs. As well as the concerns expressed in response to issue
1, there's also a need to understand what anticipated bill impacts for 2012 are, based on the 2012 implementation date. The record to date is less than clear on this issue, as is seen in the differences in the responses to BCOAPO IR 17 and 18.

Now, the second aspect of this particular question is whether the record is sufficient to allow for convenient comparisons of the RIB option. My friend has provided a rather large document today, in order to perhaps facilitate some better comparison. But there are indeed a large number of options. And then through the IR process and the panel questions, more options have been generated. And given the large number of options and metrics, it is really difficult to conceive at this point a convenient way to compare them all. Perhaps that is an issue that we can make further submissions on after having a chance to look at the document provided by FortisBC in more detail.

Now, issue number 3 asks whether the application clearly articulates, develops and tests the pricing principles. BCOAPO's short answer to that is no. The application references the Bonbright principles, and then suggests additional criteria to be used, namely customer bill impact, efficient price signals, and promotion of conservation. This is, in our submission, to some extent additional criteria
that are actually duplicative of the Bonbright criteria and therefore not actually additional.

However, the more significant fault that we see with the metrics used by FortisBC in assessing the options are that they do not directly follow from these principles or objectives. In particular there's no assessment as to whether the resulting Block 2 prices mirror FortisBC's marginal costs, and therefore whether they provide an efficient price signal.

Instead, FortisBC appears to be defining efficient pricing as one where there's an adequate differential between the rates for the first and second blocks.

Proceeding Time 11:05 a.m. T15

In FortisBC's application, "conservation" seems to be defined simply as "load saved", and does not distinguish between load reductions when prices are below, as opposed to above, marginal costs. Load reductions, when prices exceed marginal costs, could result in a customer incurring more costs to effect such reductions than it would actually cost FortisBC to supply the customers and therefore result in an inefficient use of resources.

Also of concern is the fact that bill impacts are considered as an input to the initial rate design. An alternative and preferred approach would have been to look at rate designs that meet the
fairness and efficiency objectives and then look at
the annual rate impact of implementation, and assess
the extent to which these impacts can be managed or
mitigated through appropriate phasing-in of the rate
design.

Issue number 4, does the application
adequately project and assess the impact on
conservation? Now, we recognize that FortisBC does
not have any values for price elasticity applicable to
its service territory and, given this limitation,
using a range of likely values seems to us to be a
reasonable approach. However, it is not immediately
obvious or supported by research elsewhere that
different price elasticity values will apply for usage
above and below the threshold.

The analysis should consider results using
just one value as well as two values. Based on the
foregoing limitations, the application develops
estimates as to the aggregate load on each option.

Because this load impact should not be
interpreted as the efficiency gains or efficient cost-
effective load reduction, this is -- sorry. The
analysis does not distinguish between reductions
achieved with price that are above, as opposed to
below, long-run marginal costs. So, if our analysis
were to be that conservation is simply defined as load
reduction, the answer would be yes to this question. However, BCOAPO prefers that conservation be defined as cost-effective load reduction or economically-efficient load reduction, and as a result our answer to this particular question is no.

Issue number 5 asks whether, in our submission, the record provides a clear understanding of FortisBC's plans regarding the establishment of the RIB rate and TOU rates. Fortis has provided some information about their plans in their responses to IRs. But it is unclear at this point, and may be clarified through further IRs, how these particular two rate designs could be used in the future.

My friend attempted to address that in her submissions, but that is something that I think could be further explored through IRs.

Issue number 6, as to whether there are subject areas where additional evidence would further contribute towards establishing a RIB rate with appropriate price signals -- as I've mentioned before, BCOAPO believes that it would be useful for FortisBC to provide additional evidence regarding the derivation of their marginal costs. This would be useful to determine the appropriate pricing signal over different time frames.

We believe that it would be useful to
identify alternative rate designs in terms of threshold values and customer charges that incorporate this pricing signal, and to assess the implications of each design in terms of the number of customers, bills and loads that would see the appropriate signal – the difference between the resulting customer charge versus the cost of service derived customer charge, as well as the ability to manage bill impacts of implementation of such a design over time via phasing-in.

Issue number 7, does the hearing of the application by way of written hearing remain preferable as to an oral hearing process? Given the situation, it's rather difficult for BCOAPO to offer a definitive answer on this. At this time, we are going to suggest that perhaps the issues that we have identified -- and I'm sure that other parties will identify -- could be addressed through further IRs, with a determination to be made on the final incarnation of the hearing, written or oral, to be made at that time, because we will have before us a more complete evidentiary record.

I would like to just take this opportunity to respond to a couple of my friend's suggestions in regards to issue 7, though. My friend suggested that a RIB application is actually not conducive to an oral
hearing.

Proceeding Time 11:10 a.m. T16

And I would remind my friend that B.C. Hydro managed quite well. There is always the opportunity, when somebody poses a question that requires computation, to take that away and to provide it in written form at a later date. That should not be a bar to an oral hearing if the record seems to indicate that it is necessary.

My friend also suggested that the RIB affecting only one rate class is something that would tend to indicate a written process would be more efficient. This is a rate structure that can have very serious implications for that rate class, and I would hate to see a situation where the B.C. Utilities Commission made its decision on the format of a hearing on that basis. I do not anticipate that that will be a consideration in your decision.

Subject to any questions, those are my submissions.

THE CHAIRPERSON: Thank you.

COMMISSIONER HARLE: Just a clarification, I think. You made a point that you didn't think there was enough on the record to assess what the best option might be, even after the next round of IRs. And I guess if that is the case, what would you suggest would be needed to
get you there to assess the best option?

MS. WORTH: Well, at this point again, we are kind of in a situation where we have this large document that Fortis has provided to us kindly today in paper form. That may be of some assistance. If, though, at the end of the IRs we do not have sufficient evidence, it may be that we would be looking at a situation where it would be helpful to have a further filing from them in supplement, or to proceed to oral hearing. I mean, obviously for regulatory efficiency, written processes are the preferred method. But you know, it may be that we can address this before actually having to move to an oral hearing.

COMMISSIONER HARLE: Thank you.

THE CHAIRPERSON: Thank you very much.

MS. WORTH: Thank you.


SUBMISSIONS BY MR. ANDREWS:

I’ll jump right in and address the questions posed by the Panel. The first is whether the record is sufficient to establish the level of basic charge, in view of the findings of Order G-156-10 and the accompanying decision, or should further evidence be filed?

In response to that portion of the question, now that the errata have been filed and
assuming that we don't get more, in my submission what needs to happen next is for the parties and staff to determine to their own satisfaction the effect of different customer charges on conservation impact and whatever other parameters they consider to be important. That is, we have the numbers. People now need to turn their minds to it.

In my submission that process of examining the numbers would be made much easier if the options were presented in a sortable spreadsheet format. The hard copy that was handed out today is a starting point, but it seems fairly obvious that we need to have a spreadsheet so that people can identify a parameter of interest and then sort the options to see how they compare, and to leave options out because they've been rejected for other reasons.

It also would be my submission that FortisBC could help in its responses to the next round of IRs if it provided an explanation of how changes in the customer charge affect the results of the different RIB options. I know that there's like a one sentence, totally accurate, cryptic description of the effect, but that doesn't in and of itself communicate what is really happening with the numbers and, for example, the use of graphs or examples might help everybody understand the implications of that for
choosing the RIB options.

**Proceeding Time 11:15 a.m. T17**

Regarding the second aspect of the first question, BCSEA says that in this RIB proceeding, sending appropriate price signals for conservation and energy efficiency is more important than a cost-of-service-based determination of the customer service charge. That is, the policy question of the extent to which the customer service charge should be based on a COSA analysis, we say, is not a priority within this proceeding. It was dealt with in a rate design application and presumably would be dealt with in a future rate design application.

Question 2, BCSEA says that the record is sufficient to establish the relationship between the basic charge, block 1 and block 2 rates, and the threshold, but convenient comparison of the RIB rate options remains to be provided and in part that goes to my call for a searchable spreadsheet.

Question 3, does the application clearly articulate, develop and test the pricing principles? In my submission, it would be better going forward, and these comments are all on a going-forward basis, I'm not intending to criticize what Fortis has done to date, but that as this proceeding advances, it would be good for Fortis to provide a closer connection
between the pricing principles that it does discuss and the parameters of the RIB rate. So, because we've got three or four different financial impact parameters that are set out in the spreadsheet, which pricing principle is Fortis saying is associated with each of those parameters, if there is more than one?

Four, does the application adequately project and assess the impact on conservation? In response, the various parameters dealing with impacts on conservation, and there are a handful -- there are the three different elasticity-based estimates, and the percentage of customers who have consumption in Block 2, and so on -- in BCSEA's submission, now that that information is there, in order to move to the next stage of choosing the best option, it's really essential to aggregate or prioritize in a mindful way those various parameters into a single parameter that measures what we think we want to measure about how the rate affects conservation. So, whether it's the mid-elasticity assumption, or the percentage of customers who see rate 2, or a mathematical combination of the two, somehow we need to boil it down into one measure, and the process of boiling may be something that people want to make submissions on the appropriate way to do it, but in the end we need to be looking at one numerical measure of conservation
impact.

      Five, does the record provide a clear understanding of Fortis's plans regarding the establishment of RIB rates and TOU rates? In my submission, the record indicates essentially that FortisBC is making this RIB rate application as it was directed to do by the Commission, which is to say prior to implementing advanced metering infrastructure, the AMI program, and any associated time-of-use, TOU, rates. It's BCSEA's understanding that FortisBC has said, in effect, that it will cross the bridge when it gets to it about the details of how a future TOU rate design would interact with the state of the RIB rate at that point in time. And in my submission, that is a reasonable position to take, that expecting FortisBC to provide a more definitive plan for the RIB and TOU rate designs in combination would tend to raise the whole issue of whether the RIB rates should be postponed, and then dealt with in conjunction with introducing TOU rates. And in my submission, the Commission has already determined that RIB rates are to proceed, and so with that territory comes a certain amount of uncertainty about how exactly they will interact with TOU rates.

Proceeding Time 11:21 a.m. T18

Are there subject areas where additional
evidence would contribute towards establishing a RIB rate with appropriate pricing signals? Response:

Completion of a second round of IRs would be important. Beyond that, BCSEA is not aware of other subject areas not yet canvassed that would require exploration, but if those emerged, then so be it.

On that topic, I'll use that as a springboard to address Ms. Worth's comments regarding Fortis's long-run marginal costs. That is not a new subject, but because there is evidence on it already, and if BCOAPO wishes to ask more IRs about Fortis's long-run marginal costs, that's entirely appropriate. And I recognize that the issue of the relationship between the Block 2 rate and Fortis's long-run marginal cost over time is one that has to be dealt with by the Panel. That said, I do think that one factor to be kept in mind is the DSM regulation that — and I don't mean to be making a legal argument here, but it certainly could be read as implying that for purposes of designing DSM programs, Fortis's long-run marginal costs should be equal to B.C. Hydro's long-run marginal costs. That is, the whole issue of what exactly is Fortis's long-run marginal cost is completely avoided by a policy-based solution to that question. And I, of course, am not arguing the merits of either approach, but that's definitely something
that would be on the table.

   In terms of whether the application should proceed by way of a written hearing or an oral hearing, BCSEA would be content with either an oral hearing or a written hearing. Like Ms. Worth, I take exception to some of the reasons that FortisBC cited in favour of a written-only and not oral. In my submission, it comes down to largely a trade-off between efficiency, that is, written would be more efficient, and a sense of increasing the common understanding of the participants, that is, from the panel to the staff to the interveners and Fortis, as to what these numbers all really mean. I think that a lot of that common understanding is lost in a written process. If people don't understand what somebody has said in writing, that's the end of it. That lack of understanding never gets resolved. In an oral hearing, there is more opportunity for that. But as I said, BCSEA could live with either.

   Subject to any questions, those are my comments.

THE CHAIRPERSON:   No. Fine. Thank you very much.

MR. ANDREWS:   Thank you.

THE CHAIRPERSON:   Mr. Shadrack, are you still on the line?

MR. SHADRACK:   Yes, I am.
THE CHAIRPERSON: Would you like to go ahead, please?

SUBMISSIONS BY MR. SHADRACK:

MR. SHADRACK: Thank you very much.

I've already made a written submission prior to today, and I won't repeat that. And in listening to the arguments this morning, I have to say that I'm inclined to lean towards what the BCOAPO representative said earlier.

I want to focus on the discussion that's been going on between myself and Fortis around the --

THE CHAIRPERSON: Mr. Shadrack, I just want to ask you to hold for a moment. We're having some audio problems here.

Mr. Shadrack?

MR. SHADRACK: Yes?

THE CHAIRPERSON: Could you -- is it possible for you to move the phone a little closer, or speak more directly into it, please?

MR. SHADRACK: How is that?

THE CHAIRPERSON: That's better.

MR. SHADRACK: Okay.

THE CHAIRPERSON: Please go ahead.

MR. SHADRACK: Would you like me to start again?

THE CHAIRPERSON: Yes, please.

MR. SHADRACK: I've already made a written submission, and I don't want to repeat that. And in listening to
the interventions this morning, I have to say that my inclination is to lean towards what was said by the representative of BCOAPO.

But I want to focus in on the discussion I've been having with Fortis in this hearing around the basic charge, and I want to refer back to what I wrote in the final argument on what the Commission noted and came back in terms of final argument.

I wrote at one point, the current basic charge rate design is in fact providing a massive subsidy to 40.3 percent of the residential customers who used more than 1900 kilowatts per billing period in 2008. In effect, 70.6 of the residential load is being subsidized by a majority of residential customers.

**Proceeding Time 11:26 a.m. T19**

On page 55-56 of that decision, the Commission Panel noted:

"Mr. Shadrack demonstrates by way of his own consumption data that a higher basic charge actually favours higher consumption customers to the disadvantage of low consumption customers, rather than providing an incentive or a price signal to conserve. He further submits that the current basic charge rate design is in fact a massive
subsidy to high-end consumption customers,
that in effect 70.6 percent of the
residential load is being subsidized by a
majority of residential customers."

Then at page 7, before they made their
decision, the Panel responds to my final argument with
this:

"The Commission Panel is concerned the
existing (inaudible) with the high basic
charge gives wrong pricing signals, and
believe that Bonbright 3 principle regarding
the price signals encouraging conservation
should trump principle 2 which seems to
support a higher basic charge. Specifically
the Commission Panel agrees with the
observations of Mr. Shadrack."

Now I want to go to the way Fortis responds
to my question as to where the price point is now, of
which there are customers who are paying less than the
current 9.35 cents for delivering residential
electricity. This is what Fortis says on July 14th to
a simple question I asked:

"The analysis as provided in the question
originates with the intervener and its
conclusions are not shared by FortisBC. The
company does not agree that subsidization
occurs within the residential class in the manner indicated. By extension the company does not draw similar conclusions for the RIB rate. Residential customers currently pay only a portion of the COSA based customer charge which is collected on a postage stamp basis without consideration of load characteristics, time of consumption or location, with the balance of the class revenue requirement recovered through the variable usage charges. In effect those customers with higher consumption can be viewed as subsidizing those who use less, as long as the customer charge remains below its COSA cost derived amount."

And my frustration with this is this is a philosophical difference that Fortis and me have, but they basically don't answer the question that I determined during the rate design. And so I'm really frustrated because when I go through and look at the question that I'm asking, when Fortis doesn't answer the question, regardless or whether or not it agrees with what I'm asking, I can't make a determination as to where I stand on making a final argument because I don't have the evidence or the information I need to make that final argument that I got during the rate
design hearing.

So I end up saying, why am I intervening if I'm not going to get my questions answered? And I think that what's going on is a clear violation of the concept of 59(1)(a). I argued in the rate design hearing that low-end customers were being discriminated against if they were paying up -- paying more than high-end user customers. And I thought the Commission agreed with my argument. At least that's what I read into the decision they made. So it's very hard for me to participate in these hearings when Fortis won't answer the basic question, and that's the issue for me. And I'll leave it at that.

Proceeding Time 11:32 a.m. T20

THE CHAIRPERSON: Thank you, Mr. Shadrack.

COMMISSIONER O'HARA: I have a question, Mr. Shadrack, with regard to your concerns. What type of evidence would Fortis -- or should Fortis still provide, then, to satisfy your concerns and enable you to file your final argument?

MR. SHADRACK: The thing that I'm concerned about, if we're going to promote conservation, is that when a customer like myself invests in appliances, right now the rate is such that it takes 12.2 years for me to get back the cost of the appliances that I purchase. Therefore, I need to know that we are going to
eliminate the situation that existed before. I said in the last hearing that over 1900 kilowatts -- customers were getting electricity from Fortis for under 8.9 cents. So I need to see, with all these RIB rate options, that high-end customers are no longer getting power below the cost of delivering it. That's the design I'm looking for. Because that, I think, then moves us towards a true postage-stamp rate within the residential class. Does that answer your question?

COMMISSIONER O'HARA: I believe so. I'm just looking at the Fortis table here. I just want a confirmation that Fortis understands it. And if not -- but it looks like it's not as clear as you would like it to be.

MR. SHADRACK: That's correct.

THE CHAIRPERSON: Mr. Shadrack, could you perhaps suggest specific items or artifacts that Fortis should provide? Or specifically --

MR. SHADRACK: Well, I would like for Fortis -- if I asked them, you know, what's the price point of which residential customers are paying less than the 9.35 cents, that they answer that, and say that it's 2200, or it's 5000 kilowatts, or wherever. That's what I need to understand with these -- this design, basic charge, Block 1 and Block 2. I want to see the
relationship so that the people at the low end aren't paying so much as a blended unit price that people at the top end are not paying what it's costing to deliver the electricity. Because that to me is a basic disincentive to conserving.

COMMISSIONER O'HARA: Ms. Herbst, on behalf of your client, can you respond if this type of information can be provided?

MS. HERBST: I think that we can answer the question just as a numerical proposition with the 9.35 cents, and the threshold that matches that. I think, part of the concern -- and I appreciate there is some frustration on Mr. Shadrack's part, I think part of the concern is the context in which some of the questions are posed and so, to the extent that there is disagreement with that context, it becomes difficult to answer. But as a numerical proposition, FortisBC can supply that answer.

THE CHAIRPERSON: Thanks.

MR. SHADRACK: I'm sorry, I didn't hear that answer.

THE CHAIRPERSON: Would you mind repeating it, please?

MS. HERBST: I think the relevant gist of it is yes. As a numerical proposition, we can answer that question. And I was just explaining that I think part of the issue here, and I appreciate there is some frustration, is that the parties diverge on the
context in which some of the questions are put, and so it becomes difficult to answer with that context overlaid on it. But as a numerical proposition, that is an answer that we can provide. Thank you.

THE CHAIRPERSON: Mr. Shadrack, did you hear that?

MR. SHADRACK: Yes, I did.

THE CHAIRPERSON: Okay. Is that okay, then, Mr. Shadrack?

MR. SHADRACK: I find that answer reassuring. If I can get some numerical answers to questions, I would appreciate that. I'm not trying to go outside of the parameters of what we're trying to do in this hearing.

THE CHAIRPERSON: Okay. Thank you. One moment. Okay, Mr. Shadrack, if there is nothing else, then, thank you very much.

Proceeding Time 11:37 a.m. T21

MR. SHADRACK: Thank you.

THE CHAIRPERSON: And Mr. Tarnoff, are you still available on the line?

MR. TARNOFF: Yes, I am. Can you hear me?

THE CHAIRPERSON: Yes, we can.

SUBMISSIONS BY MR. TARNOFF:

Okay. I've also sent in a submission to the Commission regarding this conference, and I won't go over it all. I think some of the things, the points have been brought up already. But I am
concerned about where the company brings up the question of revenue stability, and they do that -- initially it was in response to BCUC Information Request 12.4, and that they say -- they make some assertions about the importance of stability and the effect of a lowered basic charge on volatility revenue. And to me they are using that as a justification for not lowering the basic charge, and in the submission that Fortis made today they reiterated that reason as one of the reasons for maintaining the -- not lowering the customer charge or basic charge.

And so I find it problematic that they're using that as a justification, but had not really provided any evidence about that. As far as I know, Fortis hasn't submitted evidence supporting an established need for revenue stability, or evidence that decreasing the customer charge and increasing the energy charge adds to revenue volatility. They haven't submitted evidence what's the cost to the company of that, but they suggest that there are costs to the company and then whether those costs wouldn't be recovered in the normal way as any other cost to the company.

So it makes it hard to evaluate that claim, and if their justification for not lowering the basic
charge is based to some extent on that argument, then
I think we do need more evidence, or some evidence,
supporting those arguments. So that's basically, you
know, in response to your question number 1, and I
think that there is a need for more evidence in that
area.

As far as the -- you know, if the
Commission does ask Fortis to come back with more
evidence, I think, yes, we do -- we will have the
second round of IRs. But in a way we're starting from
scratch if there's some new evidence, because when
Fortis supplied their original application,
participants could ask questions, get a response, and
then they would theoretically have the opportunity in
the second round of IRs to question Fortis' responses.
If there's new evidence but only one further round of
IRs, then we don't really have the same opportunity to
do that.

So, yeah, those are the only comments I
would have at this time.

THE CHAIRPERSON: Okay, thank you very much, Mr. Tarnoff.
Ms. Slack Goodman, are you there please? Buryl Slack
Goodman, are you still on the line?
MS. GOODMAN: Yes, I am. Can you hear me?
THE CHAIRPERSON: We can hear you very well, thank you.

SUBMISSIONS BY MS. SLACK GOODMAN:
Thank you, because preliminary I was unable to hear most of what Fortis representative -- and not even the name, and I have been able to hear the phoners-in reasonably well. However, may I respectfully start and submit that I have been an intervener since the sale hearing and have followed the course of events. I have found Fortis to be, as I requested when they first came on scene, much more transparent and trying to bring evidence forward that would be helpful and not cloud the issue.

Now, I have attended the COSA and realize that rates under the old scheme were not fair to all parties and they're trying to do something about that

Proceeding Time 11:42 a.m. T22

And also that from my reading of the materials, that the residential inclining block is basically setting a pattern at this point, as they have been requested, the company has been requested to do something. And I can stand corrected if need be. And with the statements in there, that time-of-use, which I agree is very appropriate and has worked very well, and I use Princeton as an example, so that in the end, once the advanced metering is implemented, if it is implemented, time-of-use may be much more attractive to more customers and the outcome will change along the way. So, in some ways, maybe some things are
premature.

But as I read it, and see it, if people follow what has happened and read the materials, a lot of questions are asked that do not need to be asked. I'm not taking away people's right to ask them, but that's simply the way I see it.

So, that is about all I can offer at this point, and as I listen, there may be more. But thank you very much.

THE CHAIRPERSON: Thank you.

MR. GABANA: If I could ask, was she -- would she include in her comments about unnecessary questions the questions from the Commission?

MS. SLACK GOODMAN: There are some of those that are unnecessary, if they had followed the materials, yes. Some. But I always, if I may add, I always leave the arithmetic to the Commission, between the Commission and the company, after the Commission has heard it all. I always do that. Thank you.

THE CHAIRPERSON: Okay, thank you. Any questions? No? Okay. Mr. Gabana?

MR. GABANA: Yes. Am I coming through there all right?

THE CHAIRPERSON: Loud and clear. Please go ahead.

SUBMISSIONS BY MR. GABANA:

MR. GABANA: Okay. I'd just like to inform the Commissioners about the participation in this hearing.
I filed for financial assistance, and in my summary, I had four people who were prepared to help me. One participated in the Manhattan Project, and he still fires on all cylinders. Second one is -- has an engineering degree and sold and bought power for Cominco for many, many years. My third participant is a CGA with a master's degree, and came third in Canada in his final. And my fourth one has a commerce degree with CMA experience on top of that. So the flippant letter I received back from the Commission is, my people have not demonstrated any qualifications to deserve any assistance. So I think the Commission should maybe consider some of those remarks, and if we do want to broaden this participation base, maybe we're going to have to risk a little bit.

Anyway, getting -- venting that off. Getting back to this whole question of whether there is sufficient information. I think there is plenty of information out there. Somebody is going to have to hold their nose and make a choice here. The part of it that I don't like is, we're going to -- where we are, we have wholesale customers who I question if they will implement this process. There has been no discussion with Fortis with them. And what we're going to have is, we're going to have a two-tier electrical rate around here -- three, because we're
going to have Hydro rates in some places, wholesale rates in others, and Fortis rates in others. And I think that that's an untenable situation. And this whole process is all through evolving around the manipulation of money.

Proceeding Time 11:47 a.m. T23

In the last participation with Fortis, the power loss in the grid is 9 to 10 percent and we do not have a track of that power. Here we're going around trying to find some individual single mother -- I'm going to do some tear jerk here -- comes home at 5:00 after working, and has to pay extra money to cook her meal for their kids.

Anyway, all and all with this thing, I think there's plenty of information out there now. Somebody has to make a decision and it's going to be a social impact decision. I think that the present structure, you just have to hold your nose and make a decision. And I think that where we are is saleable. To penalize people more for convenience and use I think is really, really going out there, and as far as I'm concerned, there should be a big box at the door, throw all the material in, go home and live with what we've got. That's all I've got to say.

THE CHAIRPERSON: Thank you, Mr. Gabana.

MR. FULTON: Mr. Chairman, that concludes the list for
the first round, with one exception. And I do have some submissions that I would like to address on behalf of Staff relative to certain of the questions raised in Exhibit A-15. And I have submissions, relatively brief submissions to make on three of the questions, 1, 3 and 4, and then some brief general submissions on the filing of errata and the filing of the document, the spreadsheet yesterday, which appears to contain more errors on a quick reading on it, and I'll address the error that we have identified at this point.

SUBMISSIONS BY MR. FULTON:

MR. FULTON: So beginning first with the sufficiency of the record, Staff is concerned that the record does not have a sufficient evidentiary basis in certain areas at this point in the proceedings. Mr. Tarnoff, in his submission dated July the 31st, at the bottom of the first page of that submission referred to the response to BCUC IR No. 1, question 12.4, and I'll just read that because it's relatively short:

"The company maintains that the collection of fixed costs through fixed charges, as well as the established need for revenue stability, needs to be considered. Decreasing the customer charge and increasing the energy charges adds sales
revenue volatility. Fortis believes that its proposal provides an appropriate balance between the needs of the company and the concerns customers have with the level of the customer charge."

Mr. Tarnoff then goes on and identifies four further questions and information that he suggests there's a need for.

Staff agrees with the concerns that Mr. Tarnoff expresses relative to the FortisBC response to BCUC IR question 12.4, and in particular Staff's view is that more evidence is required, first of all to establish the need for revenue stability that's asserted in that answer. Secondly, more evidence is required to support the statement that decreasing the customer charge and increasing the energy charge adds sales revenue volatility. Thirdly, more evidence is required on the anticipated costs of revenue volatility. And finally, more evidence is required on the "needs of the company".

**Proceeding Time 11:52 a.m. T24**

Turning next to question number 3, and the testing of the pricing principles, the pricing principle for the application is defined in FortisBC's answer to BCUC IR 5.1(b) at pages 10 and 11 of Exhibit B-5. It's also -- a definition is also provided at
Staff is of the view that while there is analysis and testing for Fortis's proposed pricing principles in terms of bill impacts and conservation impacts for 2011, there is no such analysis or testing for bill impacts and conservation impacts for the period 2012 to 2015.

Turning next to the Commission's question number 4, does the application adequately project and assess the impact on conservation? Staff is of the view that the application does not adequately project and assess the impact of the RIB on conservation.

Fortis has provided two apparently very different sets of conservation estimates that result from the RIB. The first can be found in Exhibit B-5, the response to BCUC IR 1.9.3, and the second in the response to BCUC 1.19.2. And at least for the benefit of the people here, I do have copies for ease of reference of those IR responses.

MR. TARNOFF: Could you repeat those two?

MR. FULTON: Yes, I can. It's the response to BCUC IR 1.9.3, and the response to BCUC 1.19.2. Both those responses are found in Exhibit B-5.

MR. TARNOFF: Thank you.

MR. FULTON: So if we begin with 19.2, that response provides a range of price elasticity estimates that
Fortis used to --

CONFERENCE OPERATOR VOICE: Participant exiting.

MR. FULTON: -- establish savings.

MR. GABANA: Norm Gabana.

MR. FULTON: And then in one point -- if we go back to 1.9.3, there is a set of estimates but that set of estimates appears to have nothing to do with the RIB savings. If you look down to the line immediately above marginal cost of RIB program, you'll see a line, "Gross load after DSM and other customer savings in gigawatt-hours". Staff is not able to tell from the application the methodology that was used to arrive at those numbers, nor is there any discussion of the relationship between these numbers in 1.9.3 and the numbers in 1.19.2.

Proceeding Time 11:56 a.m. T25

Now, outside of this hearing, in the revenue requirement application, I understand that the residential load forecast is reduced by the amounts in the table that's in 1.9.3 for fiscals 2012-2013. And I also believe that the numbers 3.1, 8.6, 14.3 and 20.3 were the numbers that were provided as a savings estimate.

CONFERENCE OPERATOR VOICE: Announcing participant.

MR. GABANA: Norm Gabana.

MR. FULTON: Pardon me, I'll back up and say that in the
response to the Commission Panel IR, question 5.2, the savings that were provided were the savings estimates from the response to question IR 19.2. So certainly at a very minimum, these responses need to be reconciled, and it may be that that can happen in the IR process, in the additional IR process, but there are those reconciliation issues.

The last item that I have relates to the issue of errata, and there is a general concern about confidence in the numbers. And Fortis has now filed its fourth errata dated July the 29th, and the concern is that the continuing changes to the numbers not only create a concern about the confidence that one has in the numbers but they also result in efficiencies to the process in the sense that staff, and the interveners, are having to continually analyze the numbers and determine whether or not they're accurate.

And so that then takes me to the spreadsheet that was filed as part of FortisBC's submission, and if I could take you to lines 33 to 47, probably 48, 33 to 48, you'll see that there's a reference to BCOAPO 1.14(a). And my understanding is that the numbers in the "Conservation Impact" columns at the right-hand side of the page, the last three columns, have been corrected by errata number 3 dated June the 27th, 2003, which is the updated page 18 to
errata number 3. And perhaps counsel for FortisBC can confirm that these numbers will need to change as well.

So those are the submissions that I have on behalf of Staff, Mr. Chairman.

THE CHAIRPERSON: Thank you.

MR. FULTON: That then -- or perhaps I should have dealt with one other issue, and this is on the errata issue as well. And the two other tables, just to highlight the concerns, so Table 8.3 of Exhibit B-1, page 26, in errata number 1, Fortis discovered a formula error which caused the miscalculation of the Block 2 rates in Rate Options E, G and H, and the company noted that the error only affected Block 2 rates beyond 2011.

Proceeding Time 12:00 p.m. T26

In Errata #3, a computational error was identified within the model that affected the determination of the Block 2 rate for years 2012 to 2015.

There have also been errata that have been filed in connection with the estimates of the Table 7-2 equivalent, which is found at Exhibit B-1, page 22. That table resulted in requests to remodel the table with different customer change level impacts by a number of the parties. And just by way of examples, Errata #3 provided the corrected table for BCOAPO IR
1, question 14(a), which I have just referred to. Errata #4 provided a corrected table to BCUC IR 1, question 12.2. Errata #4 also provided a corrected table to BCUC IR question 12.7. And it provided a corrected table for Mr. Tarnoff's IR, question 1.3. And I have dealt with the most recent spreadsheet that was filed in terms of parent errors. So those conclude my submissions on behalf of staff, Mr. Chairman.

That takes us, then, to the reverse order for this morning's submissions. And so that means that once I locate my copy of the order of appearances, which I now have in hand, we would begin with Mr. Gabana and determine whether he had any further submissions he wanted to make.

MR. GABANA: No. No comment, thank you very much.

MR. FULTON: Okay. Mrs. Slack?

SUBMISSIONS BY MS. SLACK GOODMAN:

MS. SLACK GOODMAN: Yes, please. Simply to say that in the past, during a hearing, we brought out information that the Salt River project in the U.S. and Arizona did ask customers if they wished to donate a dollar with -- on their bills to go to people who had difficulty paying. Now, that's not really part of this, but it's something that came to mind as I listened to people. And thank you for the opportunity
to give my comments. Thank you.

MR. FULTON: Mr. Tarnoff?

SUBMISSIONS BY MR. TARNOFF:

MR. TARNOFF: Yeah. My only comment would be -- and in regard to what was just said about the confidence in the figures. Yeah. I have a little bit of problems with that also. I'm not quite sure what to do about it but I know, you know, Fortis says in a number of places that the numbers -- the impacts are small and, you know, not necessarily totally reliable, and uses that as a justification. But that's kind of all we have to go by. And so anything that could be done, anything that could be done to increase that level of reliability, would be useful. That's all I have to say.

MR. FULTON: Mr. Shadrack.

SUBMISSIONS BY MR. SHADRACK:

MR. SHADRACK: Yeah. I haven't said anything in this procedural conference, or in my submissions, about oral hearings. And I think I'm inclined to say at the end of the second round, if all the questions haven't been resolved, I'd like to see the chance of an oral hearing to clear up any remaining questions, similar to what we've done this morning. It doesn't necessarily need to be a large number of days. It may only be a couple of hours. But it would allow
interveners to ask questions that they don't feel have been adequately answered by the company. That's my only addition to anything else.

Proceeding Time 12:05 p.m. T27

MR. FULTON: B.C. Sustainable Energy Association.
MR. ANDREWS: I have nothing to add, thank you.
MR. FULTON: British Columbia Old Age Pensioners' Organization et al.
MS. WORTH: Nothing to add at this time, thank you.
MR. FULTON: That takes us back to FortisBC, Mr. Chairman, and typically we ask the applicant, who has now heard a number of submissions, whether or not they would like some time to consider those submissions before making their reply.
MS. HERBST: That would be much appreciated. We could quickly check some of the particular issues raised as well as just recanvassing, if that would be possible.
THE CHAIRPERSON: Would fifteen minutes --
MS. HERBST: I think so. Thank you very much, yes.

(PROCEEDINGS ADJOURNED AT 12:06 P.M.)

(PROCEEDINGS RESUMED AT 12:34 P.M.)

REPLY BY MS. HERBST:

MS. HERBST: Thank you for the time period to consult and go through some of the points that had been raised.

So, I just have a few points in reply, or to address particular issues that have been raised.
Mr. Andrews, from the B.C. Sustainable --

MR. GABANA: Could you get a little closer to the mike? We're having some trouble hearing you now.

MS. HERBST: Absolutely. If it sounds bad for the people in the room, I apologize.

So, just by way of reply, I'm going to go through some particular points that have been raised. Mr. Andrews, for the B.C. Sustainable Energy Association, asked for a sortable version of the spreadsheet. And absolutely, that will be something that will be provided. I hasten to add it will be a corrected version of the spreadsheet. We have, in looking over the numbers, seen that Mr. Fulton and staff quite properly pointed out an issue with some of the BCOAPO numbers on the first page, and we thank staff and Mr. Fulton for drawing that to our attention.

What seems to have happened is that in putting together the information in one spot, a first round of errata were picked up and a second round were not, for BCOAPO. So, our apologies, but that will be fixed and re-circulated.

We will circulate both an e-mailed version, PDF'd, a sortable version as Mr. Andrews requested, and also a hard copy of an enlarged photocopied version for ease of reading in hard copy.
And we apologize, of course, for the errors.

For 2012-2015, both Mr. Fulton and counsel for BCOAPO, Ms. Worth, raised the desirability of some further numbers in terms of bill and conservation impacts for those years. We will endeavour to provide some further information. We may do so in consultation with Commission staff, just in terms of setting some of the parameters. There are certain -- there are a large range of variables that would figure into each year, and so I think the present contemplation is that FortisBC would provide another spreadsheet, corrected, of course, like the one you presently have, for 2012 – and I put an asterisk beside that, which I'll come back to – 2013, 2014 and 2015. The asterisk is, we may consult with staff, among other things, on the starting point. It may be that just by virtue of the timing and how long it will take to implement a RIB rate, and so on, January, 2012 isn't a feasible starting point. And so there may just be some consultation in terms of when the first spreadsheet would kick in.

The other parameter that we are contemplating having is application specifically of the pricing principles that are set out on page 9 of my letter. So, the basic charge being frozen and rate
increases being applied to rate 1 with the residual in -- or, sorry, in Block 1, with the residual in Block 2. And there would also need to be a certain assumption made for the rate increases that would figure into that calculation. And so FortisBC would likely also be consulting with Commission staff in terms of what is considered to be a reasonable assumption of a rate increase to plug into that number.

Some questions were raised both by particular interveners and the Commission with respect to -- or Mr. Tarnoff and the Commission -- with respect to revenue stability. And absolutely, we've noted down the questions there, and would propose to provide responses in the second-round IR responses. We take it that those will be repeated, or we can take them to be effectively second-round IRs, and would provide responses together with the remaining IR responses.

Proceeding Time 12:38 p.m. T29

Also as well, with respect to BCOAPO's request for further marginal cost information, there is a body of that on record which obviously is not satisfactory in its present form to BCOAPO, and certainly we're willing to try to answer any additional questions that would come up about that.
Mr. Fulton had raised as well a particular issue with respect to reconciling two answers that had been provided to Commission information requests, I believe 1.9.3 and 1.19.2. We need to look into that a bit further and just perhaps as well, there will be some consultation with Commission Staff as to particular concern, and we would, if this is acceptable, provide a response to that question in writing setting out the reconciliation that's being sought.

Apart from that I just have a couple of additional points to touch on. Mr. Tarnoff and Mr. Shadrack relied in considerable extent to their written submissions, which were very helpful to see beforehand, and so I would just like to touch on a couple of points there in reply. Mr. Tarnoff had mentioned in his e-mail of July 31st that one of the -- the preferred option of FortisBC yields about 50 percent less conservation impact than scenarios with lower basic charges that were suggested by Mr. Tarnoff.

On review it appears that the only options that were put forward by Mr. Tarnoff that garnered more conservation were those that allowed 10 percent of customers rather than 5 percent of customers to experience a greater than 10 percent bill impact. And
so certainly, this is just to reflect, there are various parameters that are in play in any given consideration of a rate option, and so conservation impact is one and then another column so to speak in the table, or the spreadsheet, addresses another.

In just brief response to a question that Mr. Shadrack posed in the course of his e-mail of July 28th, which is Exhibit C9-11, and this is I think just a small point but of course just to satisfy Mr. Shadrack's request for information. There's a reference to the split between energy charge and basic charge on particular bills of his. There is a fluctuation that he notes where one of his bills have an 18 percent basic charge, 82 percent energy charge, and another bill a 39.4 percent basic charge and 66.6 percent -- sorry, 60.6 percent energy charge. The reason for that is not a particular principle or anything like that. It just results from the particular usage in a given two-month period that Mr. Shadrack has had.

The basic charge stays the same no matter what service the customer has per month. The percentage split, though, changes because the energy charge is variable. So where there's more energy used it because a greater proportion of the overall bill. And so it's a very small point but I trust it's of
some assistance to Mr. Shadrack in dealing with the matter otherwise.

And so I think that concludes our submissions subject to any other questions.

COMMISSIONER O'HARA: I have a sort of a follow-up process question, Ms. Herbst. The way I understood you now responding to this request, that you say Fortis would respond to these questions as part of the responses to IR Round Number 2, is that correct?

MS. HERBST: Other than I think we would provide a response to the extent that we can in consultation with Commission Staff to the reconciliation between 9.2 and -- I'm sorry, 9.3 and 19.2. There were two responses that Mr. Fulton drew to our attention that seemed to be divergent in terms of the information communicated in our earlier responses. And I think that's something that we could address in written form if that would be all right before then.

And then also the issue of the 2012 or some portion through 2012, 2013, 2014 and 2015 rerunning of certain scenarios based on certain parameters. I think -- I mean we'd certainly be content to deal with that within the second round of information requests, or if parameters could be agreed on could provide a scenario where those were run in advance as well.

COMMISSIONER O'HARA: Because I think earlier in some of
the submissions the concern was raised that in essence, some of these responses would be almost like new evidence. And then the question is will the one IR round be enough or should we still need IR Round number 3? So this may be a bit semantics, but I see almost two options. One option is you provide now the list of information, whether you call it undertakings or clarifications, reconciliations and new requests first, and then there will be the IR round number 2, which is it. Or we could have some of these responses right away, like the sortable spreadsheet, and then would be IR number 2 and IR number 3. So I'm just asking which approach would be more efficient from FortisBC's perspective.

Proceeding Time 12:44 p.m. T30

MS. HERBST: If I may have a moment, thank you.

Thank you. My apologies. What I think we can add -- I think we probably would actually need particular questions in order to respond on marginal costs, which was one of the issues that we'd come back to.

Revenue stability, I think we can just take the -- it's been sufficiently clear, I think, what both Commission staff and Mr. Tarnoff would like that we can provide those responses in advance of another round of Information Requests, and I think it was Mr.
Tarnoff, among others, likely, who were concerned about the staggering of -- or being cut off from having a further round of questions. So we can certainly provide the evidence on revenue stability using Mr. Tarnoff's questions and Mr. Fulton's questions as a basis in advance.

And subject to meeting with the Commission, also the 2012 to 2015 spreadsheets, and the reconciliation of the two responses to the BCUC IRs in advance as well.

And I apologize if I'm missing something that was a more specific question that's left open now, but certainly we understand the concern and are prepared to look at providing whatever we can in advance. But I think those may be the issues.

For marginal costs, I just do think it's -- in order to respond further, given the evidence already on the record, we just would need more specific questions to be posed.

COMMISSIONER O'HARA: That's helpful, thank you, Ms. Herbst.

MS. HERBST: Thank you.

THE CHAIRPERSON: Okay. No questions, thank you.

MS. HERBST: Thank you.

THE CHAIRPERSON: Okay. Well, I'd like to thank you all for your participation. And what the panel intends to
do is review the discussions that we've had today. And we will be issuing a new procedural order which will deal with such things as we just discussed, whether there is new evidence that needs to be introduced or whether -- how many rounds of IRs to have, how to deal with this additional information that will be forthcoming. And we will also issue an amended regulatory timetable.

So, with that, our proceeding is adjourned.

(PROCEEDINGS ADJOURNED AT 12:48 P.M.)