



July 4, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI)
Project No. 3698899
2016 Rate Design Application (the Application)
Response Procedural Conference Questions**

FEI writes in response to the British Columbia Utilities Commission (the Commission) letter dated June 28, 2017 (Exhibit A-10), in which the Commission identified the questions participants are to address at the Procedural Conference. To ensure an efficient Procedural Conference, the Commission encouraged parties to file their responses on the record. The following are FEI's responses to the Commission's questions.

Item A: Early decision on key topics

1. Please explain if, and why, the Panel should issue an early decision with determinations on the following key topics:
 - The Cost of Service Allocation (COSA) studies included in the Application; and
 - Whether the revenue to cost (R:C) ratio; the margin to cost (M:C) ratio; or a combination of both R:C and M:C ratios should be used to guide rate design and the corresponding range(s) of reasonableness of the selected ratio(s).

Response:

FEI supports the issuance of an early decision on the two key topics listed in the question. The topics of the COSA studies and the range of reasonableness are both discrete issues

that can easily be separated from the remaining topics in the Application. Having an earlier decision on these key topics would simplify and inform the resolution of the remaining rate design issues. As discussed in response to question 2 below, FEI also believes that there is a sufficient evidentiary record to proceed to argument on these two key topics.

2. Is further process needed to gather more evidence on the above key topics?

Response:

FEI is content to proceed with any further process that the Commission requires on the above key topics.

However, FEI believes it would be reasonable for the Commission to proceed directly to argument on these topics. The process to date has established a comprehensive evidentiary record on which the Commission can make a decision on the two key topics. The COSA studies and range of reasonableness were discussed in FEI's stakeholder consultation sessions and the post-application workshops. FEI's Application materials were detailed, and have been supplemented by FEI's responses to the first round of information requests. The COSA studies and range of reasonableness were reviewed by Elenchus, and Elenchus has responded to information requests on its COSA report. Elenchus has also provided a jurisdictional review of the range of reasonableness in its second report.

Based on the information requests and the Elenchus report, it appears that there are few contentious issues related to the COSA studies in the Application. While the range of reasonableness appears to be a more contentious topic, there is a relatively small cluster of facts relevant to the range of reasonableness (e.g. quality of FEI's data, practice in other jurisdictions). Rather than being determined by detailed analysis of factual matters, the range of reasonableness will largely be determined as a matter of judgment by the Commission.

3. Given the options below, please discuss your preference, if any, for the process to gather further evidence on the above key topics:
 - i. another round of written information requests;
 - ii. an oral process (streamlined review process or oral hearing), which may include the cross examination of expert consultants (EES Consulting Inc. (EES Consulting) and Elenchus Research Associates Inc. (Elenchus)). Please discuss why the above key topics cannot be adequately dealt with through written information requests; or
 - iii. a combination of written information requests and an oral process.

Response:

If further process to gather evidence is required, FEI would prefer another round of written information requests. In FEI's view, information requests would be sufficient to explore any remaining factual issues related to these key topics.

FEI does not see the need for an oral process on the two key topics for the reasons set out in response to question 2.

If an oral process is desired, FEI would prefer a streamlined review process (instead of a round of information requests or an oral hearing). FEI believes that the issues are narrow enough to be addressed in a streamlined review process, similar to the processes conducted for FEI's Annual Reviews.

4. Please explain if you have any preference for when the review of the above key topics should occur and when the early decision should be issued.

Response:

Given resource constraints due to summer schedules and other ongoing processes (e.g. FEI's Annual Reviews) involving FEI's rate design personnel, FEI's preference is that the next steps in the review of the key topics begin in late August.

To gain the benefit of an early decision on the two key topics, FEI suggests that the decision should be issued prior to the argument phase on the other rate design topics. This would also give FEI an opportunity to adjust its application, if necessary, to take into account any determinations of the Commission on the topics of the COSA studies and range of reasonableness.

FEI estimates that if an early decision were issued by mid-November, then this would give FEI the opportunity to review the early decision and make any changes to its proposed rate design, prior to proceeding to the argument phase on the other rate design issues.

For example, if the Commission were to proceed directly to the argument phase, FEI would propose the following approximate schedule:

Process Step	Approximate Date
FEI Final Argument	Late August
Intervener Argument	Mid September
FEI Reply Argument	Late September
Early Decision	Mid November

Item B: FEI's Transportation Service Review

FEI presents its Transportation Service Review in chapter 10 of the Application. The Transportation Service Review includes the following proposals:

- Eliminate the existing monthly balancing provisions entirely for the transportation model and require all transportation customers in all service areas to balance daily.
- Amend the balancing tolerance from 20% to 10%, and implement a tiered charge approach whereby charges increase as tolerance ranges are exceeded.
- Continue to manage the additional T-South Long-Haul capacity on an annual basis through the Annual Contracting Plan.

Questions – Item B

5. Should FEI's Transportation Service Review be reviewed separately from the rest of FEI's Application?

Response:

FEI supports the Transportation Service Review being reviewed separately from the rest of FEI's Application. The Transportation Service Review is independent of the other rate design proposals in the Application. In addition, some interveners (e.g. Shipper Agents) may be interested only in the Transportation Service Review portion of FEI's Application. It would therefore be reasonable and efficient to review the Transportation Service Review separately.

6. Is further process needed to gather more evidence on the Transportation Service Review?

Response:

FEI is content to proceed with any further process on the Transportation Service Review as may be required by the Commission.

At a minimum, FEI requests an opportunity to respond to the letter of comment filed by Teck Coal Limited on June 22, 2017 (Exhibit E-1).

7. Given the options below, please discuss your preference, if any, for the process to gather further evidence on the Transportation Service Review:

- i. another round of written information requests;
- ii. a streamlined review process; or
- iii. a combination of written information requests and a streamlined review process.

Response:

If further process is required, FEI's preference is for another round of written information requests on the Transportation Service Review. In FEI's view, this would be sufficient to gather further evidence to the extent necessary.

FEI would be open to a streamlined review process as well if needed.

As noted above, FEI requests the opportunity to respond the letter of comment filed by Teck Coal Limited on June 22, 2017 (Exhibit E-1). FEI could file its response when filing its responses to information requests or at the streamlined review process should either of those process steps be ordered.

8. Please explain if you have any preference for when the review of the Transportation Service Review should occur.

Response:

Given resource constraints due to summer schedules and other ongoing processes (e.g. FEI's Annual Reviews) involving FEI's rate design personnel, FEI's preference is that the next steps in the review of the Transportation Service Review begin in late August.

For example, if the Commission were to order a second round of information requests, FEI would propose the following approximate schedule:

Process Step	Approximate Date
IR No. 2	Late August
Response to IR No. 2	Mid September
FEI Final Argument	Late September
Intervener Argument	Mid October
FEI Reply Argument	Late October
Decision	Late January 2017

Item C: All other issues

9. Is further process needed to gather more evidence on other issues within the Application not described above or on Elenchus' Rate Design Report?

Response:

FEI is content to proceed with any further process on other issues in the Application or on Elenchus' Rate Design Report, as may be required by the Commission.

FEI requests the opportunity to ask information requests on Elenchus' Rate Design Report and BCOAPO's intervener evidence. FEI also requests the opportunity to file rebuttal evidence.

10. Given the options below, please discuss your preference, if any, for the process to gather further evidence on other issues within the Application or Elenchus' Rate Design Report:
- i. another round of written information requests; or
 - ii. an oral process (streamlined review process or limited-scope oral hearing), which may include the cross examination of expert consultants (EES Consulting and Elenchus).
 - Please clearly identify the specific elements or issues that require an oral process and discuss why those elements or issues cannot be adequately dealt with through written information requests.

Response:

If further process is required, FEI's preference is for another round of written information requests. In addition, as noted above, FEI requests the opportunity to ask information requests on Elenchus' report and on BCOAPO's intervener evidence and to file rebuttal evidence.

FEI does not see a need for an oral process on other issues within the Application or Elenchus' Rate Design Report, for the following reasons:

- FEI consulted on its proposals prior to filing the Application and held two workshops as part of the proceeding, which has laid the groundwork for a solid understanding of FEI's proposals and allowed FEI to incorporate stakeholder feedback early in the process.
- FEI's proposed changes to the rate design are relatively minor in scope, and explained in detail in FEI's Application.

- The first round of information requests and FEI's responses were comprehensive.
- FEI's rate design has been reviewed by Elenchus in its Rate Design Report.
- The number of contentious topics is relatively limited and are of a technical nature that can be adequately explored in writing.

Nonetheless, if there are specific elements or issues that the Commission determines cannot be adequately dealt with in writing, FEI would prefer a streamlined review process, rather than a limited oral hearing. FEI believes that a streamlined review process would be preferable in this case as it would facilitate discussion amongst the parties, and likely be more efficient.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

cc (email only): Registered Parties