

REQUESTOR NAME: BCOAPO *et al.*  
INFORMATION REQUEST ROUND NO: 1  
TO: FortisBC Energy Inc. (FEI)  
DATE: September 8, 2017  
APPLICATION NAME: Approval of Operating Terms between the City  
of Surrey (“the City”) and FEI

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**1.0 Reference: Exhibit B1-1, Application, Section 3.2, Cost Apportionment re: High Pressure Pipelines, page 11**

“All of FEI’s operating agreements – including the 1957 Agreement, agreements with other Lower Mainland municipalities, and the more recently approved agreements with Vancouver Island and Interior municipalities – contain allocation provisions that differ from the allocation proposed for the City.

Under FEI’s Proposed Operating Terms, Surrey will be better off than any other Inland Vancouver Island municipality with an FEI operating agreement.”

1.1 Given that we are now in a situation where negotiations between FEI and the City have stalled, where no other municipality has allocations like that proposed by either the City or FEI, and the Commission now has the jurisdiction to adjudicate this matter, please explain the justification for continuing to propose an allocation more favourable than in other municipalities.

**2.0 Reference: Exhibit B1-1, Application, Section 3.3.1, page 14, 1957 Agreement and Other Lower Mainland Agreements Do Not Provide for an Operating Fee**

2.1 “FEI and its contractors are, in many instances, having to pay the fees in order to avoid disputes and complete the work efficiently and in a timely manner. FEI also accepts there are benefits associated with a good working relationship with municipalities and believes introducing a fee of some form will improve the working relationship with Surrey and thus facilitate FEI’s day-to-day operations.”

Given that the Commission is now adjudicating this matter and will resolve this dispute by ordering the terms of a new operating agreement that will clarify those matters left ambiguous in the 1959 Agreement, please explain why an Operating Fee is still required to improve working relations with the City of Surrey.

**3.0 Reference: Exhibit B1-1, Application, Section 3.3.3.1, pp 15-16, Calculation of Proposed Operating Fee, Process**

FEI proposes an Operating Fee to be calculated as 0.7% of Delivery Margin in order to cover estimated 2016 Permit and Cut Fees to Surrey, Operating Efficiencies, and Avoidance of Litigation components. Alternatively, there is a proposal to base this fee on Gross Revenue.

- 3.1 Please confirm that FEI's proposal is based on approved delivery margin: if unable to so confirm, please explain.
- 3.2 Please provide a table showing the ten most recently available years of data for delivery margin and gross revenue attributable to Surrey on the same basis (e.g., approved margin or actual margin) as the response to the previous part of this IR.
- 3.3 Please explain whether there would be a change in FEI's 0.7% proposal if, in its decision, the BCUC determined that there would be a clear allocation of relocation costs for gas mains and high pressure pipe but this allocation differed from FEI's proposal regarding allocation of relocation costs.
- 3.4 In the event that in the future, Surrey's Permit and Cut Fees were increased materially, would this possibly require or trigger a revisitation of FEI's proposal of 0.7% of Delivery Margin? Please explain.
- 3.5 Please provide all the direct costs associated with the Fees and Permits paid to the City of Surrey for each year starting in 2014.
- 3.6 Please quantify the administrative and legal costs incurred in dealing with the City for each year starting in 2014.
- 3.7 Please quantify for each of those years (2014 to present) how much of those costs would be exempt under FEI's proposal, and how much would remain payable?
- 3.8 FEI's proposal is based on 2016 estimates. Does FEI have any data which would support the 0.7% proposal as having been appropriate for years prior to 2016? If so, please provide.
- 3.9 Please explain why FEI believes that the 0.7% proposal will continue to be appropriate for future years as circumstances change.
- 3.10 Did FEI consider any other approaches to calculating an Operating Fee that would reflect actual costs incurred by Surrey? If so, please describe.
- 3.11 Please describe how FEI's operating fee proposal would need to be revised were it to be based entirely on principles of cost causation under existing regulatory approvals and existing practices with respect to FEI's arrangements with Surrey.

**4.0 Reference: Exhibit B1-1, pp 16-17, Operating Fees with Inland and Vancouver Island Municipalities**

On page 17, FEI states:

*FEI is not aware of any information setting out the basis or methodology used to determine the 3 percent amount, or any supporting information identifying how this amount was determined or derived.*

- 4.1 Does FEI believe that the 3% (of Gross Revenues) Operating Fees currently in place were entirely the result of negotiations with Inland and Vancouver Island Municipalities?
- 4.2 Other than the events described by FEI on pages 18-19 of the Application, have there been any attempts historically to evaluate or revise the 3% fees since their inception with any of the affected municipalities with respect to their continuing appropriateness in respect of actual costs incurred, cost causation, etc.? If so, please describe.

**5.0 Reference: Exhibit B1-1, page 19, Operating Fee**

The referenced page states:

*The implementation of an Operating Fee in Surrey based on 3 percent of gross revenues would result in a 3.09 percent bill increase for all of FEI's customers within the Municipality. Calculating the Operating Fee based on 3.09% of total revenues for 2016 results in a fee of \$3.8 million paid to the City, which is in excess of any reasonable amount that should be paid for the services provided.*

- 5.1 Please provide the percentage of 2016 Surrey Gross Revenues comprised by Operating Fees.
- 5.2 If available, please provide comparable 2016 percentages for the municipalities currently receiving an Operating Fee of 3% of Gross Revenues.

**6.0 Reference: Exhibit B1-1, page 20, Responsibility for Upgrade/Betterment Costs**

The referenced page states:

*FEI's position is that relocation costs paid by the party requesting relocation should exclude the value or incremental costs of any upgrading and/or betterment of the party's facilities or the facilities of third parties "beyond that which is required to comply with applicable Laws or sound engineering practices". FEI submits that the inclusion of the quoted caveat is fair, reasonable and reflects cost causation.*

- 6.1 Is there a possibility under FEI's proposal that – even if its proposal and language were approved as proposed by FEI – that subsequent disputes as to the quanta of costs 'required to comply with law or sound engineering practices' might require litigation to resolve, the costs of which (i.e., FEI, Surrey, regulatory, legal, adjudicative, etc.) would fully offset FEI's estimated avoided litigation expenses under its proposal? Please discuss.

**7.0 Reference: Exhibit B1-1, page 22, Release of Statutory Rights of Way**

The referenced page states:

*FEI is prepared to consider requests on a case by case basis, but is not prepared to provide a blanket waiver of its rights. In instances where FEI agrees to release its statutory right of way interest without requiring the Municipality to exercise its rights of*

*expropriation, it will effect that process in a timely manner and without expectation of compensation from the City.*

- 7.1 Has FEI ever been asked to provide a blanket waiver of its RoW rights? If so, please describe.
- 7.2 Is FEI aware of any utilities operating in BC providing a blanket waiver of such rights?

**8.0 Reference: Exhibit B1-1, pp 23-24, Benefits to FEI's Customers in Surrey**

- 8.1 Please confirm that under FEI's the proposal, other things equal, will increase rates to Surrey customers as compared to the status quo. If unable to so confirm, please explain fully.
- 8.2 Does FEI have any evidence that would indicate that Surrey ratepayers will receive an overall net benefit under the proposal as opposed to the status quo?
- 8.3 Does FEI have any evidence that would indicate that Surrey ratepayers are willing to pay what will be required under FEI's proposal?
- 8.4 Please describe the methodology proposed to allocate the rate increases attendant with FEI's proposal among rate classes.