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February 27, 2018

VIA ELECTRONIC MAIL

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

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

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. 2016 Rate Design Application Project No. 3698899

We are counsel to the Commercial Energy Consumers Association of British Columbia (the "CEC"). Attached please find the CEC's third set of Information Requests to FortisBC Energy Inc. with respect to the above-noted matter.

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

Yours truly,

OWEN BIRD LAW CORPORATION

Christopher P. Weafer

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

COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA

INFORMATION REQUEST #3 to FortisBC Energy Inc.

FortisBC Energy Inc. 2016 Rate Design Application ~ Project No. 3698899

February 27, 2018

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90. Reference: BCUC Order G-4-18 page 35 and 38

Commission determination

The Panel directs FEI to use an R:C ratio range of reasonableness of 95 percent to 105 percent to inform rate design and rebalancing proposals in the current Application. FEI is directed to file updates to the Application in response to the findings and directives in this order with Reasons, in accordance with a procedural order to be issued subsequent to this order. The electronic versions of the updates should include both a blacklined version and a clean version.

For the reasons outlined above, the Panel considers it appropriate to reduce FEI's current R:C ratio range of reasonableness of 90 percent to 110 percent to an R:C ratio range of reasonableness of 95 percent to 105 percent. This range is to be used to inform rate design and rebalancing proposals in the current Application. Since other considerations are made in rate design and rebalancing, FEI is free to propose whether or not they will rebalance rates.

90.1 Please confirm that the range of reasonableness of 95% to 105% represents a maximum threshold for a given rate class for to depart from unity in its calculated revenue to cost ratios.

90.1.1 If not confirmed, please explain why not.

90.2 Please confirm that the Commission did not provide direction as to the target for rebalancing, such that rate schedules could be rebalanced to unity or another revenue to cost ratio within the 95% to 105%.

91. Reference: Exhibit B-1-4 page

originally designed, FEI is proposing to update the multiplier in the peak day demand formula from 1.25 to 1.1 (the multiplier estimates the peak day demand from the average peak Monthly demand). As a result of the above change, FEI is also proposing to raise the Demand Charge for RS 5 and RS 25 by $3.00/GJ/Month to continue to provide a price signal for only high load factor customers to take General Firm Service. As the R:C ratio before rebalancing is 106%, FEI proposes to shift $1.093 million of revenue responsibility to RS 1 as explained in section 12.2.2. The R:C ratio after rebalancing is 105%, which is within the range of reasonableness directed by Order G-4-18. FEI is proposing to reduce the revenue responsibility of RS 5/25 by decreasing the Basic Charge by $118 per month.

91.1 Please explain why FEI limited its rebalancing to 105%, instead of reducing to unity or another revenue to cost ratio within the 95% to 105% threshold.

91.2 Could FEI have adjusted other rate classes which were not outside the range of reasonableness to unity or another revenue to cost ratio within the 95% to 105% thresholds? Please explain why or why not.

92. Reference: Exhibit B-1-4 page 2-2 and 2-3

FEI has a number of tariff supplements, including bypass agreements. These tariff supplements are negotiated agreements and are approved separately by the Commission and, as such, FEI is not proposing any changes to existing tariff supplements in this Application. The exception to this is the proposed cancellation effective Q4 of 2018, of FEI Tariff Supplement G-21 between Creative Energy and FEI. Please refer to Section 9.8 of the Application for more information.

92.1 Why has FEI changed the date of the proposed tariff cancellation to Q4 2018?

93. Reference: Exhibit B-1-4 page 12-6

12.2.2 Rebalancing of RS 5/25 to be within the Range of Reasonableness

After Rate Design proposals, the R:C ratio for RS 5/25 is 106.3%, which is outside the range of reasonableness established by Order G-4-18. To rebalance within the range of reasonableness, FEI proposes for the following reasons to decrease RS 5/25 revenues by reducing the basic charge:

- By decreasing the basic charge for RS 5/25, FEI's proposals for RS 7, RS 27 and RS 4 remain unchanged and there will be no additional revenue shift from RS 7, RS 27 and RS 4 to RS 1.
- Changing only the basic charge, and not the demand or delivery charge, supports rates that continue to attract customers with at least a 40% Load Factor. With the proposed rates, including rebalancing, a customer in RS 5/25 consuming 15,000 GJ would need to have a load factor of approximately 40% to be better off (when compared to RS 3 and RS 23), which is the intent of the General Firm Service offering.

FEI is therefore proposing to decrease the RS 5/25 Basic Charge by $118 per month to $469 per month.

Decreasing the basic charge by $118 per month creates a revenue responsibility decrease of $1.093 million for RS 5/25. Recognizing that RS 1 is within the approved range of reasonableness, but at the lower bound, FEI proposes to shift this revenue responsibility to RS 1, which results in an annual average bill impact for all RS 1 of approximately 0.15%.

93.1 To the extent that RS 5/25 costs are primarily fixed costs does the reduction to the basic charge reflect greater alignment with cost causation than would a reduction to the delivery charge. Please explain why or why not.

93.2 Please confirm that the reduction in the Basic charge will mean that the 'reduction' is applied equally amongst all RS5/25 customers.

93.2.1 If confirmed, does this equitable distribution have a 'fairness' value, or would it have been equally fair to apply the reduction to the demand or delivery charge. Please discuss.

94. Reference: Exhibit B-1-4 page 12-7

To set the R:C ratio for RS 6/RS 6P within the range of reasonableness, FEI is proposing a reduction of $75.9 thousand in the revenue required from RS 6/RS 6P by decreasing the Delivery Charge by $1.622/GJ. FEI is proposing to reduce the revenue to bring the R:C ratio in alignment with the upper end of the range of reasonableness and decrease the Delivery Charge to match the reduction in revenue.

The decrease to the Delivery Charge supports the government's policy goal of reducing GHG emissions by making natural gas more affordable as a vehicle fuel substituting for gasoline or diesel for those members of the public and fleets that are using the RS 6/RS 6P stations. After the proposed adjustment, RS 6/RS 6P will have an R:C ratio of 105% and RS 6 customers will experience approximately a 20% decrease in their annual bills from this adjustment. As RS 6P is for public natural gas vehicle fueling stations, it is not possible for FEI to calculate an annual bill impact for customers using RS 6P because the volume by customer using the public fueling station is not tracked. As RS 1 is the only rate schedule with an R:C ratio of less than 100%, FEI proposes to shift the $75.9 thousand deficit to RS 1. The shift represents an approximate annual bill impact of 0.01% (rounding to 0.0%) for RS 1 customers.

RS 6P for CNG fueling services to customers at FEI's Surrey Operations Centre was approved by Order G-165-11A. The Delivery Charge for RS 6P was set equal to the Delivery Charge of RS 6 and was intended to remain equal to the RS 6 Delivery Charge over time. Since the approval of RS 6P, however, the Delivery Charge for RS 6P and RS 6 are no longer equal with the RS 6P Delivery Charge being $0.022/GJ less than that of RS 6. As a housekeeping amendment, FEI proposes to set the Delivery Charge for RS 6P equal to the Delivery Charge of RS 6 after all other rate design proposals and rebalancing are effected. This proposal is included in the rebalancing results for RS 6 below.

94.1 Why did FEI choose to reduce the Delivery Charge only, as opposed to a reduction in the Basic Charge or in some combination of the Delivery Charge and the Basic Charge. Please explain.

94.2 Will FEI continue to set the Delivery Charge for RS 6P equal to the proposed RS Delivery Charge?

94.2.1 If not, why not?

95. Reference: Exhibit B-1-4 page 12-8

Table 12-3: R:C and M:C Results after Rate Design Proposals and Rebalancing

Rate Schedule	COSA after Rate Design Proposals		Rebalance Amount ($000)	Approximate Annual Bill Change	COSA after Rate Design Proposals and Rebalancing	
	R:C	M:C			R:C	M:C
Rate Schedule 1 *Residential Service*	96.4%	94.6%	1,214.4	0.2%	96.6%	94.6%
Rate Schedule 2 *Small Commercial Service*	102.2%	104.1%			102.2%	104.1%
Rate Schedule 3/23 *Large Commercial Sales and Transportation Service*	103.6%	107.6%			103.6%	107.6%
Rate Schedule 5/25 *General Firm Sales and Transportation Service*	106.3%	112.6%	(1,138.5)	-1.2%	105.0%	112.6%
Rate Schedule 6/6P *Natural Gas Vehicle Service*	131.7%	160.4%	(75.9)	-20.3%	105.0%	109.5%
Rate Schedule 22A *Transportation Service (Closed) Inland Service Area*	113.0%	113.4%			113.0%	113.4%
Rate Schedule 22B *Transportation Service (Closed) Columbia Service Area*	103.1%	103.1%			103.1%	103.1%
Rate Schedule 22 *Large Volume Transportation Service*	100.0%	100.0%			100.0%	100.0%

Rate Schedule *(rates not set using allocated costs)*	COSA after Rate Design Proposals		Rebalance Amount ($000)	Approximate Annual Bill Change	COSA after Rate Design Proposals and Rebalancing	
	R:C	M:C			R:C	M:C
Rate Schedule 4 *Seasonal Firm Gas Service*	150.2%	578.3%			150.2%	578.3%
Rate Schedule 7/27 *General Interruptible Sales and Transportation Service*	139.3%	713.6%			139.3%	713.6%

95.1 Please briefly explain why FEI did not rebalance Rate Schedule 22A.

96. Reference: Exhibit B-1-4, page 13-51

For Rate 2.1 and Rate 2.2, FEI adjusted rates to account for the decrease in revenue responsibility of $35.0 thousand and $37.2 thousand, respectively. This adjustment was made to maintain an economic breakeven threshold of 2,000 GJ /year as discussed in section

13.5.5.4, to align the basic charge of both Rate 2.1 and Rate 2.2 proportionally to the customer classified costs from the COSA model, and to limit any individual customer's annual bill impact.

The following table shows the rates for the daily Basic Charge and the volumetric Delivery Charge for Rate 2.1 and 2.2.

Table 13-28: Rate 2.1 and 2.2 Charges after all Rate Design Proposals

	Rate 2.1	Rate 2.2
Daily Basic Charge ($/Day)	1.2151	3.6845
Delivery Charge ($/GJ)	3.781	3.330

96.1 Are there other combinations of adjustments that would have achieved the same conditions? Please elaborate on FEI's rationale for adjusting both the Daily Basic Charge and the Delivery Charge and the levels by which they were each adjusted.

97. Reference: Exhibit B-1-4, page 13-55

For Rate Schedule 25, FEI adjusted the Demand Charge to account for the increase in revenue responsibility of $5.7 thousand. FEI increased the demand charge per month per GJ of daily demand from $28.727 to $30.350 resulting in an annual bill increase of approximately 4%.

97.1 Why did FEI choose to adjust the Demand charge instead of the Basic Charge, Delivery Charge, Administration charge or some combination thereof? Please discuss the advantages and disadvantages of adjusting the Demand Charge.