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Our File No.: 05497-0259

September 19, 2018

BY EMAIL

British Columbia Utilities Commission
410 – 900 Howe Street
Vancouver, BC

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Attention: Patrick Wruck
Commission Secretary

Dear Mr. Wruck:

Re: FortisBC Inc. – 2017 Cost of Service Analysis and Rate Design Application – Project No. 1598939 – Submission Request on Further Process

We write on behalf of FortisBC Inc. (**FBC**) in reply to the submissions filed by interveners on further process.

Oral Hearing

Consistent with FBC's position, most interveners do not seek an oral hearing on any issue. The following interveners have expressly stated their position that no oral hearing on any of the issues is required: British Columbia Sustainable Energy Association and Sierra Club B.C. (**BCSEA**), in Exhibit C2-13; British Columbia Municipal Electric Utilities (**BCMEU**), in Exhibit C6-4; Commercial Energy Consumers Association of British Columbia (**CEC**), in Exhibit C10-13; the Industrial Customers Group (**ICG**), in Exhibit C12-11; and the Irrigation Ratepayers Group (**IRG**), in Exhibit C8-6. Other interveners have taken no position, either expressly (as is the case of British Columbia Hydro and Power Authority [**BC Hydro**], in Exhibit C1-6) or by not filing submissions.

The Kaslo Senior Citizens Association Branch #81 (**KSCA**) suggests that it "wishes to further examine [FBC] on the component parts used to design the Basic Customer Charge (BCC) rate" (Exhibit C4-15). However:

- KSCA fairly notes that "[i]f the Commission believes that enough evidence and information is to hand for them to make a determination on the BCC components, then KSCA#81 accepts that there is no further need to hold an oral hearing on the issues." FBC submits there is sufficient evidence presently in the record on these issues. KSCA has already had two rounds of information requests (**IRs**) on this matter and has devoted entire sections of those IRs to the customer charge determination. Further, the exact breakdown of the current charge is contained in FBC's response to BCSEA IR 1.4.2 (Exhibit B-12), which was part of the first IR round and open to be tested in the second. If KSCA wishes to argue that some of those cost components do not belong, its ability to do so will not be enhanced by further questions.

- KSCA's preferred forum for asking further about "BCC" matters is not an oral hearing, in any event, but:

    - "supplementary questions on the BCC component costs", presumably in writing. If the Commission is of the view that the evidentiary record is lacking in this respect (though FBC does not agree, given the above), FBC would prefer that KSCA have a further, very specific, opportunity to ask IRs as compared to incurring the significant cost of an oral hearing; or

    - potentially, if involving also AMCS-RDOS issues, "a settlement conference" on "residential rate design and structure". FBC does not support this suggestion. Though the possibility of a negotiated settlement process (**NSP**) was raised at the procedural conference in March 2018, particularly in relation to cost of service issues, much water has passed under the bridge since then. Further, the NSP Guidelines suggest that there should be unanimous or at least general agreement in order for such a process to be undertaken, but KSCA is the only party to have raised it in its submissions.

KSCA asks that if there is an oral component, it be permitted access by videoconference from Kaslo. FBC has no objection to this if there is an oral component, though continues to oppose that one be inserted.

This leaves two intervener groups who seek an oral hearing, though not on all issues in the proceeding. The Anarchist Mountain Community Society and Regional District of Okanagan-Similkameen (**AMCS-RDOS**) propose an oral hearing on "[t]he Residential Inclining Block Residential Conservation Rate ('RCR') and the timing of returning to a flat rate" and "Time of Use rates" (Exhibit C3-15). The BC Old Age Pensioners' Organization et al. (**BCOAPO**) states that it "see[s] the need for an Oral Hearing for the Residential Rates and Optional TOU rate issues" (Exhibit C13-8). Neither set of submissions provides the foundation required for an oral hearing to proceed.

In response to the submissions of BCOAPO:

- BCOAPO itself notes when expressing its support for written argument that "[q]uite often, rate design issues are detailed and numerical in nature and as a result, they do not lend themselves well to oral argument". This also supports not having an oral hearing about these issues.

- BCOAPO suggests that "BCOAPO did attempt to, wherever possible, seek discovery on [certain LTERP/LRMC-related] issues [which it suggests could be addressed in an oral hearing] via IR's but FBC's responses in some cases did not fully or directly address the issues we raised and in others, further clarification is necessary." FBC does not agree with BCOAPO's characterization of FBC's IR responses. Tellingly, BCOAPO has neither approached FBC seeking clarification of the record as it stands nor raised (prior to this submission) any objection regarding the quality of any FBC response despite the fact that under Rule 14.05 of the Commission's Rules of Practice and Procedure, "if a party…is not satisfied with an information request response, a party may file a request that the matter be settled by the Commission". Even in its present submission, BCOAPO does not point to a single example of a defective IR response that might support its position.

- BCOAPO notes that "[t]here is conflicting evidence on the record and the positions parties to this process have taken are widely divergent". BCOAPO has not, however, pointed to any particular conflict, much less one that could be resolved by cross-examination, and the "positions" to which it refers are matters of argument.

BCOAPO further raises possible benefit from an oral hearing related to "Commercial and Transmission Rates", but says that it "recognize[s] that these are areas not directly relevant to our clients' interests so we are content to defer to the judgement of those who are directly affected on this issue." Those directly affected have not sought an oral hearing.

The submissions of AMCS, in turn, are extremely vague and seem to amount to seeking an oral hearing for the sake of having an oral hearing:

- AMCS-RDOS points to the fact that "Rate design hearings are infrequent". However, as the Commission has previously noted, "determining the need for an oral hearing should be based on the specific circumstances of the matters within a proceeding, and not place extensive weight on whether there has been a lapse in time since the last one".[1]

- AMCS-RDOS points to a statement from p. 31 of FBC's application (the first quoted passage on p. 2 of AMCS-RDOS' submission) regarding certain trends that drive changes in behaviour, apparently seeking to suggest that this warrants an oral hearing. The next paragraph from FBC's application after the passage that AMCS-RDOS quotes, commences as follows: "As explained in the Commission consultant's report in FEI's 2016 rate design proceeding, the increased share of fixed charges in fixed costs recovery is one of the trends that can be identified in recent utility rate design approaches which is designed to better align revenue recovery with cost causation (intra-rate class fairness) and mitigate the effects of disruptive technologies that may lead to cost recovery challenges from some customers." AMCS-RDOS has not suggested that it is challenging increasing the share of fixed charges in fixed costs recovery and no other intervener has raised the issue in its submissions as support for an oral hearing. Further, the FEI

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[1] Appendix A to Order G-180-17 (Insurance Corporation of British Columbia Revenue Requirements Application for Universal Compulsory Automobile Insurance effective November 1, 2017) at p. 4.

rate design proceeding referred to on p. 31 of FBC's application itself did not involve an oral hearing to consider the trends or fixed charge issue.

- Also apparently to support its argument for an oral hearing, AMCS-RDOS notes that FBC "specifically cites the issue of flat versus inverted rates", and points to a statement from p. 31 of FBC's application that "flat rates, followed by inverted rate structures, continue to be the most common types of electric utility rate structures in Canada..." However, AMCS-RDOS agrees with FBC regarding the return to flat rates; the only disagreement is timing, which will not be resolved by further evidence. Further, the quoted passage suggests that flat rates are the most common rate structure. FBC's return to the most common rate structure in Canada seems to militate against, not for, an oral hearing.

- AMCS-RDOS cites the "economic impact of the RCR" as supporting the "need to make the best decisions possible with the best evidentiary record." However, AMCS-RDOS has not pointed to any defect in the existing evidentiary record that an oral hearing would remedy. Further, rate design inherently has an economic impact as it determines how the revenues that the utility requires are to be collected; that it has an economic impact does not in itself support an oral hearing.

- AMCS-RDOS refers to "Public interest in a comprehensive review". However, again, it does not indicate why the existing written record should be considered other than comprehensive, complete or transparent. Further, the public represented by all interveners other than AMCS-RDOS and BCOAPO does not see the need for an oral hearing.

The Commission was clear in its reasons for Order G-62-18, which it issued after the March 2018 procedural conference, that "[a]n oral hearing for parts or all of the issues raised in a proceeding is a time consuming and expensive option. Therefore, it is in the public interest that consideration be given to the issues at play within a proceeding and whether the evidentiary record will be enhanced if an oral hearing is conducted" (Appendix B, p. 6). The submissions of neither BCOAPO nor AMCS-RDOS have come close to meeting this test.

Form of Argument

All of the interveners who have filed submissions have noted that written argument is their first choice (in KSCA's case, if a settlement conference is not held). This is in accordance with FBC's position.

With respect to particular other issues raised by interveners:

- KSCA seeks to have "at least a month...for the writing of that final argument because of other time commitments". This could be accommodated in the schedule proposed by FBC, where intervener submissions would be due after five weeks from the Commission's procedural order (FBC would deliver its submissions three weeks into that period).

- CEC has observed that "Should the Commission see it as appropriate, a day of oral argument could also be scheduled to deal with any issues or questions the panel may have on the written

argument." FBC agrees that if the Commission has issues or questions that it wishes to be addressed after reviewing parties' final arguments, the Commission could consider a day of oral argument at that point, but this determination should not be made other than to the extent required and until the written arguments are in hand.

Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per:

Ludmila B. Herbst, Q.C.

LBH/trw
c.c.: Registered interveners
FortisBC Inc.