

October 3, 2019

VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3



Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File: 7310.132

Dear Mr. Wruck,

**Re: FortisBC Energy Inc. Revelstoke Propane Portfolio Cost Amalgamation
Application ~ Project No. 1599033
BCOAPO Information Requests No. 1**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Information Requests No. 1 with respect to the above-noted matter.

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

Sincerely,
BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

REQUESTOR NAME: BCOAPO et al.

INFORMATION REQUEST ROUND NO: #1
TO: FortisBC Energy Inc. (FEI)
DATE: October 03, 2019
APPLICATION NAME: Revelstoke Propane Portfolio Cost
Amalgamation Application ~ Project No.
1599033

1.0 Reference: Exhibit B-1, Application, page 4, Figure 2-1 and Exhibit A-3, BCUC IR 1.1.4

- 1.1 Please provide the volatility for propane and natural gas prices in terms of standard deviations for the data underpinning the referenced figure.
- 1.2 Please provide the coefficients of variation for propane and natural gas for the data underpinning the referenced figure.
- 1.3 Does FEI have any information as to why propane prices have been historically more volatile than natural gas prices?
- 1.4 Do other by-products of natural gas processing exhibit similarly large volatility in prices as propane? If so, please be specific as to which by-products are referred to.
- 1.5 Please define the limitations of what FortisBC Energy considered “large volatility” in the context of its answer to 1.4.

2.0 Reference: Exhibit B-1, Application, page 4

The referenced page states:

Notably, Revelstoke customers have the same delivery rates as FEI’s natural gas customers. The cost premium and the fluctuation in annual bills experienced by Revelstoke propane customers is due to the propane energy portion of the annual bill only (i.e., propane has historically sold at a higher prices than natural gas on an energy equivalent basis and has had greater market price volatility than natural gas).

- 2.1 Do the delivery charges in place currently in Revelstoke over-recover, under-recover, or exactly recover the full costs of delivery incurred by FEI in serving Revelstoke? Please provide a quantitative response, e.g., over-/under-recovers by X\$ based on the most recent (least old) information available.
- 2.2 Please provide the same data on a yearly basis for the five years immediately preceding FEI’s most recent data as presented in 2.1.

3.0 Reference: Exhibit B-1, Application, page 7

The referenced page states:

FEI proposes to amalgamate the costs of FEI's Revelstoke propane supply requirements with the costs of FEI's natural gas supply requirements in order to reduce the propane commodity rate volatility and historically higher prices for Revelstoke customers. The following sections describe the proposed changes in the accounting treatment of FEI's propane supply portfolio costs and the proposed changes to the rate setting mechanism for the commodity-related charges to Revelstoke customers. ... Based on FEI's forecast for 2019, Revelstoke propane demand represents approximately 0.2 percent of FEI's total energy demand under RS 1 to 7, including both natural gas and propane.

- 3.1 Please confirm that if Revelstoke demand were a higher percentage of FEI total demand, the impact of the Utility's proposal (Option 1) on FEI gas customers would also be higher.
- 3.2 To what extent does the fact that, under Option 1, propane prices and volatility would be "swamped" by the much larger gas demand the costs would be pooled with, motivate the Utility's proposal? For example, is there some threshold level of impacts on other customers of pooling commodity costs that would make FEI reluctant to propose such pooling? Please discuss.
- 3.3 Would FEI characterize the proposal as amounting to a subsidy on the basis of equity considerations and small impact on the subsidizing group? Please explain the Utility's reasoning behind whichever characterization it chooses, making reference to specific evidence on the record to support it.

4.0 Reference: Exhibit B-1, pages 10-11, Option 2

- 4.1 Can FEI confirm that under Option 2, there would be full recovery of actual propane costs over the long run, or, would a variance account be required to ensure full recovery?
- 4.2 Please describe any and all other options considered by FEI other than Option 1 and Option 2 and explain why these alternatives were rejected.
- 4.3 To what extent is Option 2 a "foil" in the sense that it is proposed mainly to highlight the relative advantage of Option 1?
 - 4.3.1 Was Option 2 ever a serious contender to be put forward as the Utility's preferred option? If so, please explain why.

5.0 Reference: Exhibit B-1, page 14

The referenced page states:

Further, neither of the options preclude future review of potential options to upgrade the Revelstoke propane system to natural gas, which may include consideration of alternatives such as a natural gas pipeline, liquefied natural gas (LNG) supply, or compressed natural gas (CNG) supply in consideration of both the economic and non-financial benefits at the time.

- 5.1 Does FEI consider it likely or possible that, within the next 10 years, the Utility will be proposing any of the “alternatives such as a natural gas pipeline, liquefied natural gas (LNG) supply, or compressed natural gas (CNG) supply in consideration of both the economic and non-financial benefits at the time” for Revelstoke?
- 5.2 Please provide details as to the extent that FEI has already considered any other alternatives for Revelstoke customers and details of any investigations of the alternatives.
- 5.3 In the event that, in the near to medium future, FEI proposes a project, e.g., a natural gas pipeline, or other alternative project such as LNG or other – that requires significant capital spending and renders the propane system redundant – to what extent would FEI attempt to recover the undepreciated value (NBV) of the redundant propane assets (net of salvage value) from FEI ratepayers in Revelstoke or elsewhere?

6.0 Reference: Exhibit B-1, Application, page 7, Propane Supply

The referenced page states:

Since the 2016/17 contracting year, FEI’s Revelstoke propane supply portfolio has included a combination of fixed price purchases for the winter season and floating price purchases throughout the year for delivered propane, as well as the localized propane tank storage.

- 6.1 Please provide the fixed price versus floating price volume percentages of the Revelstoke supply portfolio for each year starting in 1991.
- 6.2 Has FEI noticed a decrease in the volatility of fuel costs charged to Revelstoke ratepayers in years that the fixed price component of the portfolio was relatively large as opposed to when it was relatively low?
- 6.3 Would FEI agree that the volatility of fuel costs charged to Revelstoke ratepayers would be lower if more propane storage were available so less “spot” propane at a floating price was required?

- 6.4 Would additional propane storage capacity assist in lowering the fuel costs charged to Revelstoke customers by allowing for larger, bulk, fixed price purchases when propane was relatively cheaper?
- 6.5 Would the addition of such propane storage capacity typically be considered cost-effective given the capital costs associated with such a project? Whether the answer is yes or no, please provide the approximate cost assumptions, the time horizon, and any other factors has FEI used to inform this evaluation.

7.0 Reference: Exhibit B-1, page 5, Alternative Fuels

The referenced page states:

FEI believes that stabilizing propane rates is beneficial for Revelstoke customers and may contribute to encouraging other Revelstoke energy users to switch from higher-carbon heating oil to propane.

- 7.1 Please provide, to the best of FEI's knowledge, the various fuels used in the Revelstoke franchise area (heating oil, propane, wood/corn burning, ...) for space and water heating along with the approximate percentages of household and small businesses (or load) using each fuel; exact figures are not required, approximate figures will suffice.

8.0 Reference: Exhibit B-1, page 7, PCDA

- 8.1 Does FEI propose to eliminate the PCDA under both Option 1 and Option 2?
- 8.2 Please confirm that under both options FEI will recover only actual fuel costs from ratepayers. If unable to confirm, please explain.

9.0 Reference: Exhibit B-1, page 15, Load Growth

The referenced page states:

Another benefit of the rate stability and rate relief offered to Revelstoke customers by the proposed amalgamation of FEI's propane supply costs into the natural gas supply costs would be accelerated load growth in Revelstoke with conversions from other fuel types (e.g., from heating oil to propane, which would provide associated GHG emissions benefits). This potential load growth could also lead to accelerated capital upgrade requirements for the Revelstoke distribution system. In this section, FEI quantifies the potential impact of conversions on customer delivery rates by using an Upper Bound scenario and calculating the associated delivery rate impact of a large number of conversions occurring in the first year after the proposed changes become effective (i.e., 2020 or Year 1). This, in turn, triggers the need for immediate capital upgrades to the existing propane distribution system in order to serve the additional load.

- 9.1 Before FEI undertakes any conversion or expansion in Revelstoke, will the Utility perform an economic feasibility study and require an appropriate Contribution in

Aid of Construction from the prospective customer in cases where the project does not, on its own, meet the economic test?

10.0 Reference: Exhibit B-1, Option 1 – General

- 10.1 In practical terms, how would (i) a scenario under which the BCUC approves Option 1 (amalgamation of fuel costs) as proposed differ from (ii) a scenario under which Revelstoke was fully amalgamated/absorbed and included with the FEI gas customers with whom their fuel costs would be pooled? Please list all material differences between these two scenarios if any.
- 10.2 Can FEI confirm that if the Application is approved, only the approved total costs of service will be recovered in total from ratepayers, e.g., there is no potential for double counting in the MCRA account or any other accounts or entries?