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Sent via email/eFile

<b>CORIX DGE – VARIABLE ENERGY CHANGE APPLICATION EXHIBIT A-3</b>
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Mr. Errol South  
Senior Regulatory and Financial Analyst  
Corix Multi-Utility Services Inc.  
19900 84th Ave.  
Langley, BC V2Y 3C2  
RegulatoryAffairs.Canada@corix.com

**Re: Corix Multi-Utility Services Inc. – Dockside Green Energy – Variable Energy Charge and Rate Setting Mechanism Application – Information Request No. 1**

Dear Mr. South:

Further to your April 20, 2020 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Information Request No. 1. Please file your responses by no later than Monday, June 15, 2020.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

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Enclosure



Corix Multi-Utility Services Inc.  
Dockside Green Energy - Variable Energy Charge and Rate Setting Mechanism Application

**INFORMATION REQUEST NO. 1 TO CORIX MULTI-UTILITY SERVICES INC.**

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**A. VARIABLE ENERGY CHARGE RATE SETTING MECHANISM**

- 1.0 Reference: PROPOSED VARIABLE ENERGY CHARGE RATE SETTING MECHANISM FOR DOCKSIDE GREEN ENERGY (DGE)  
Exhibit B-1, Section 3, pp. 2–3  
Trigger ratio and Minimum Rate Change Threshold**

On page 2 of the Corix Multi-Utility Services Inc. (Corix) DGE Variable Energy Charge and Rate Setting Mechanism Application date April 20, 2020 (Application), Corix states:

Corix proposes the use of Trigger Ratios (0.95 and 1.05), which equates to a ±5 percent dead-band range for its Energy Cost Reconciliation Account (ECRA) ratio.

On page 3 of the Application, Corix states:

The ±\$0.5/GJ threshold utilized by FEI is considered to be too low for DGE when converted directly to the units for the Variable Energy Charge used by DGE (\$/kWh). The equivalent rate would be \$0.0018/kWh. This represents 3.27% of the existing Variable Energy Charge [VEC]. Corix considers that this figure would result in a highly sensitive minimum rate change threshold that would make the Variable Energy Charge susceptible to frequent rate changes even in a low-cost environment. This could lead to rate instability for customers and increased regulatory and administrative costs for the utility

Corix proposes to use a minimum rate change threshold of ±\$0.011/kWh. The proposed minimum rate change threshold is equivalent to 20% of the existing Variable Energy Charge. Therefore, Corix would file an application to change the Variable Energy Charge if both of the following conditions are met:

- i. The ECRA Ratio falls outside the dead-band range established by the Trigger Ratios; and
- ii. The indicative rate change figures exceed ±\$0.011/kWh

- 1.1 Please provide a conversion of Corix’s proposed ±\$0.011/kWh minimum rate change threshold to an equivalent value in \$/GJ.

- 1.2 Please discuss how Corix's proposed minimum rate change threshold compares as a percentage of the  $\pm\$0.5/\text{GJ}$  threshold from the Gas Cost Reconciliation Account Guidelines<sup>1</sup> (Guidelines).
- 1.3 Please explain why Corix elected to use units of  $\$/\text{kWh}$  instead of  $\$/\text{GJ}$  for its proposed minimum rate change threshold.
- 1.4 Please confirm what units Corix DGE customers are billed in for electricity and natural gas consumption.
- 1.5 Please confirm, or explain otherwise, that Corix uses a single ECRA and a single VEC to record and recover variances between energy costs and rates for both electricity and natural gas consumption.
  - 1.5.1 If confirmed, please explain why Corix does not track variances in energy costs and rates for electricity and natural gas separately.
  - 1.5.2 If not confirmed, please explain why Corix proposed a single minimum rate change threshold in  $\$/\text{kWh}$ .
- 1.6 Please identify what range of rate impacts, as a percentage of the proposed VEC, Corix expects its customers to experience when the minimum rate change threshold is surpassed.
- 1.7 Please provide a model to show how Corix DGE's historical customer rates and deferral account balances would have changed by using (i) the proposed rate setting mechanism and (ii) the rate setting mechanism proposed in the Guidelines using a  $\$0.5/\text{GJ}$  equivalent minimum rate change threshold, in place of any previously approved changes in the VEC.
  - 1.7.1 If less than two rate changes occur in the model above, please use another Corix utility as a proxy to show how historical customer rates and deferral count balances would have changed over a 5-year period by using the (i) proposed rate setting mechanism and (ii) the rate setting mechanism proposed in the Guidelines using a  $\$0.5/\text{GJ}$  equivalent minimum rate change threshold.
- 1.8 In Corix's view, what is the maximum rate change its customers could bear? Please provide any supporting analysis in your response, where appropriate.
  - 1.8.1.1 In Corix's view, what rate increase would lead to "rate shock"? Please elaborate.
  - 1.8.2 Please discuss how the proposed mechanism mitigates the risk of "rate shock".
- 1.9 Please explain how the magnitude of changes to a typical Corix DGE customer bill when the proposed rate setting mechanism is triggered would compare to the magnitude of changes expected using a  $\$0.5/\text{GJ}$  equivalent threshold from the Guidelines.
  - 1.9.1 Please compare the expected rate changes as a percentage of total bill for a typical Corix DGE customer.
- 1.10 Did Corix DGE undertake any consultation with its ratepayers regarding the proposed rate setting mechanism?
  - 1.10.1 If yes, please provide a summary of consultation and feedback received regarding the VEC or the proposed rate setting mechanism.
  - 1.10.2 If not, why not?
- 1.11 Please explain, with supporting calculations where appropriate, how Corix selected a rate change threshold equivalent to 20% of the VEC at the time of the Application. Please include a

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<sup>1</sup> BCUC Gas Cost Reconciliation Account Guidelines, Letter L-5-01 dated February 5, 2001, revised by Letter L-40-11 dated May 19, 2011

comparison of the pros and cons of any other alternative thresholds considered by Corix.

- 1.12 Please discuss any differences in Corix DGE's utility business from other thermal energy utilities that would justify the significantly higher minimum rate change threshold proposed, as compared to the threshold of \$0.5/GJ specified in the Guidelines.
- 1.13 Please quantify the expected difference in regulatory and administrative costs under the proposed threshold of  $\pm\$0.011/\text{kWh}$  as compared to a  $\pm\$0.5/\text{GJ}$  equivalent threshold, both as a total cost and as an annual impact to a typical Corix DGE ratepayer.
- 1.14 Please discuss how the proposed rate change threshold as a percentage of Corix DGE's weighted average cost of energy compares to the \$0.5/GJ threshold from the Guidelines as a percentage of Corix DGE's natural gas costs.
- 1.15 Please explain under what scenarios a potential rate change would exceed the proposed minimum rate change threshold of  $\pm\$0.011/\text{kWh}$  but fall within the proposed dead-band range of  $\pm 5$  percent.
  - 1.15.1 In the context of Corix's response to the previous information request, please discuss the efficacy of the proposed  $\pm 5$  percent dead-band range with Corix's current forecast energy pricing.
- 1.16 Please discuss the maximum ECRA balances that Corix expects to carry before the proposed minimum rate change threshold is surpassed.
- 1.17 Please discuss if Corix expects that the proposed minimum rate change threshold will lead to larger carried balances in its ECRA than using the \$0.5/GJ equivalent threshold from the Guidelines.
- 1.18 Please discuss any negative impacts or potential risks to Corix and/or its ratepayers that arise from carrying a larger (i) positive or (ii) negative balance in its deferral accounts.

## **B. BCUC REVIEW MECHANISMS**

- 2.0 Reference: BCUC GUIDELINES FOR SETTING GAS COST RECONCILIATION ACCOUNT (GCRA) RATES AND MANAGING THE GCRA BALANCE  
BCUC Letter L-5-01 dated Feb 5, 2001, Appendix I, Section 4.0, p. 3  
Reporting Requirements**

Section 4.0 of the Guidelines sets out criteria for quarterly reporting. On page 3 of the Guidelines, the BCUC states:

To keep the Commission informed on expected gas costs, expected revenue from gas cost recovery rates and the GCRA balance, the Commission requests that BC Gas provide quarterly reports by the fifth business day of the month preceding each quarter (March, June, September and December).

- 2.1 Please confirm, or explain otherwise, that Corix DGE proposes to file quarterly reports in accordance with the reporting requirements set out in the Guidelines.
  - 2.1.1 If not confirmed, please discuss Corix DGE's unique circumstances that warrant the deviations that Corix is requesting from the reporting schedule and form set out in the Guidelines.

**C. FINANCIAL MODELS**

**3.0 Reference: DGE ECRA BALANCE CALCULATIONS  
Exhibit B-1, Appendix A  
ECRA and VEC Financial Models**

In Appendices A-1 through A-4 of the Application, Corix provides its financial models including DGE ECRA Balance Calculations, DGE ECRA Balance Chart, Variable Energy Charge Calculation, and Residential End-user impact.

- 3.1 Please provide a calculation spreadsheet similar to Appendix A-1, "DGE ECRA Balance Calculations," showing forecast ECRA balances through December 2021 using the VEC proposed in the application.
- 3.2 Please explain the source of input data in Corix's model used in Appendix A-1, including forecast electricity and natural gas volumes and forecast British Columbia Hydro and Power Authority and FortisBC Energy Inc. rates.
- 3.3 Please provide any spreadsheet models used for calculations in Appendices A-1 through A-4.
- 3.4 Please explain why Corix used a May 1 to April 31 period to model its deferral account balance in Appendix A-3 instead of using a calendar year as in its current rate structure shown in Appendix B.