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Utilities Commission

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July 2, 2020

Sent via email/eFile

CORIX DGE – VARIABLE ENERGY CHANGE APPLICATION EXHIBIT A-5

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 – Project No. 1599089 – Information Request No. 2

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. 2. Please file your responses by Thursday, July 23, 2020.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting 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. 2 TO CORIX MULTI-UTILITY SERVICES INC.

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A. VARIABLE ENERGY CHARGE RATE SETTING MECHANISM

**4.0 Reference: PROPOSED VARIABLE ENERGY CHARGE RATE SETTING MECHANISM FOR DOCKSIDE GREEN ENERGY (DGE)
Exhibit B-2, BCUC Information Request (IR) 1.2, 1.3, 1.8.1.1, 1.8.2, 1.9, 1.15
Trigger Ratio and Minimum Rate Change Threshold**

In response to British Columbia Utilities Commission (BCUC) IR 1.2, Corix Multi-Utility Services Inc. (Corix) stated:

At the proposed threshold of $\pm\$0.011/\text{kWh}$ the indicative rate change would have to exceed a 20% rate change to warrant a rate change when compared to current rates.

In response to BCUC IR 1.8.1.1, Corix stated:

The term “rate shock” has been recognised by the BCUC to be an annual rate increase of 10% or more; or an annual bill increase of 10% or more.

In response to BCUC IR 1.8.2, Corix stated:

The proposed rate setting mechanism allows for the timely review of the projected ECRA [Energy Cost Reconciliation Account] balance periodically throughout the year and results in adjustments to the Variable Energy Charge aimed to mitigate against high balances in the ECRA. The review of the ECRA balance multiple times per year and the adjustment of the Variable Energy Charge when necessary mitigates against rate shock as the ECRA balance is continuously being monitored.

In response to BCUC IR 1.3, Corix stated:

The difference in regulatory and administrative costs depend on the number of applications filed for a change to the Variable Energy Charge each year...

- (1) The proposed threshold of $\pm\$0.011/\text{kWh}$ leads to Corix filing one application to change the Variable Energy Charge each year; and
- (2) The alternate threshold of $\pm\$0.0018/\text{kWh}$ leads to Corix filing four applications to change the Variable Energy Charge each year.

Under the proposed threshold the regulatory and administrative costs in this hypothetical scenario would total \$5,000 on an annual basis or approximately 5% of the total 12-month forecast energy costs. The alternate threshold stated above could result in annual regulatory costs of \$20,000 or approximately 20% of the total 12-month forecast energy costs.

- 4.1 Please confirm, or explain otherwise, that “the review of the ECRA balance multiple times per year” would not lead to an adjustment in the Variable Energy Charge unless the proposed minimum rate change threshold is surpassed.
- 4.2 Please confirm, or explain otherwise, that under the proposed threshold of $\pm\$0.011/\text{kWh}$, the indicative rate change would constitute “rate shock.”
- 4.3 Please discuss whether, in the current energy pricing environment, Corix expects that every time the minimum rate change threshold is surpassed its customers would be likely to experience “rate shock.”
- 4.4 Please propose a potential alternative minimum rate change threshold that would minimize the likelihood of Corix DGE customers experiencing “rate shock” while minimizing regulatory costs to the extent possible.
 - 4.4.1 Please discuss the pros and cons of the alternative identified above compared with the minimum rate change threshold proposed in Corix’s DGE Variable Energy Charge and Rate Setting Mechanism Application (Application).
 - 4.4.2 For the alternative minimum rate change threshold identified above, please provide an estimate of the change in regulatory costs from the minimum rate change threshold proposed in the Application.
 - 4.4.3 Please discuss whether the alternative minimum rate change threshold identified above is preferable to Corix than the status quo.
- 4.5 If Corix is unable to provide an alternative threshold, please explain why this analysis was not undertaken.
- 4.6 In the event the BCUC rejected the current methodology proposed by Corix, please explain how Corix would design and submit any alternative(s).

In response to BCUC IR 1.9, Corix stated:

Under Corix’s proposed methodology Corix anticipates at least one rate change each year. A threshold equivalent to the $\pm\$0.5/\text{GJ}$ found in the Guidelines would result in a highly sensitive minimum rate change threshold that could result in as many as four rate changes per year even in a low-cost environment. This could lead to rate instability for customers and increased regulatory and administrative costs for the utility.

- 4.7 Please explain why Corix anticipates at least one rate change per year under the proposed rate setting methodology.
- 4.8 Please discuss the magnitude of rate changes that Corix has observed in the past 10 years in FortisBC Energy Inc. (FEI) and British Columbia Hydro and Power Authority (BC Hydro) rates.
 - 4.8.1 Using historical FEI and BC Hydro rate changes to forecast trends in Corix’s energy costs, please model how frequently Corix expects the proposed minimum rate change threshold to be surpassed.

In BCUC IR 1.15, the BCUC requested Corix to 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 ± 5 percent. In response to BCUC IR 1.15, Corix stated:

Corix is unable to determine a scenario for DGE where this could occur. For this scenario to occur:

- the forecast revenue from the Variable Energy Charge would have to be within $\pm 5\%$ of the sum of the forecast energy costs plus the ECRA balance; and
- the forecast revenue from the Variable Energy Charge require a rate increase/decrease by at least $\pm\$0.011/\text{kWh}$, which equates to 20% of the existing Variable Energy Charge, to ensure that the ECRA balance is $\$0$ within the next 12 months.

- 4.9 Please explain why Corix proposed a 2-parameter mechanism which includes a deadband range of ± 5 percent that has limited to no impact on whether a rate change is triggered.
- 4.10 Please discuss any pros and cons of removing the deadband range of ± 5 percent from Corix's proposed rate setting mechanism.
- 4.11 Please explain under what scenarios a potential rate change threshold could exceed the alternate minimum rate change threshold identified in IR 4.4 above but fall within the proposed deadband range of ± 5 percent.

B. BCUC REVIEW MECHANISMS

- 5.0 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;
Exhibit B-2, BCUC IR 2.1
Reporting Requirements**

In response to BCUC IR 2.1, Corix stated:

Corix does not propose to file quarterly ECRA reports and instead proposes to provide all the necessary information if and when the ECRA analysis, based on the approved rate setting mechanism, indicates that the Variable Energy Charge should be changed.

Additional regulatory reporting requirements for DGE would likely lead to additional incremental costs for external regulatory assistance, all of which would be charged directly to DGE customers. This would increase the cost to serve customers. For small utilities with limited resources such as Corix, customers benefit from a more cost-effective approach, such as filing an energy cost reconciliation account report only if and when a rate change is required. These reports include all the necessary information at the time of filing.

Section 4.0 of the BCUC Guidelines for Setting Gas Cost Reconciliation Account (GCRA) Rates and Managing the GCRA Balance (Guidelines)¹ states:

The Commission anticipates that the quarterly reports would include the following:

PREVIOUS QUARTER

¹ BCUC Gas Cost Reconciliation Account Guidelines, Letter L-5-01 dated February 5, 2001, revised by Letter L-40-11 dated May 19, 2011, https://www.bcuc.com/Documents/Orders/Orders2001_1/L_Letters/L1_Letters/L5_GCRA_Guidelines.pdf

Actual GCRA balance at the start of the quarter
Actual gas costs incurred in the quarter (including impact of hedging, storage, etc)
Actual revenue from gas cost recovery rates and cost mitigation revenue in the quarter
Actual revenue from Rate Rider 6 in the quarter
Actual GCRA balance at the end of the quarter
Explanation of significant differences between the above values and the forecasts for this quarter in the prior quarterly report

CURRENT QUARTER

Actual GCRA balance at the start of the quarter
Estimated gas costs incurred in the quarter (including impact of hedging, storage, etc)
Estimated revenue from gas cost recovery rates and cost mitigation revenue in the quarter
Estimated revenue from Rate Rider 6 in the quarter
Estimated GCRA balance at the end of the quarter
Explanation of significant differences between the above values and the forecasts for this quarter in the prior quarterly report

EACH OF THE NEXT FOUR QUARTERS STARTING ON THE FIRST DAY OF THE NEXT MONTH

Estimated GCRA balance at the start of the quarter
Estimated gas costs incurred in the quarter (including impact of hedging, storage, etc)
Estimated revenue from gas cost rates and cost mitigation revenue in the quarter based on both current and proposed rates
Estimated revenue from Rate Rider 6 in the quarter
Estimated GCRA balance at the end of the quarter based on both current and proposed gas cost recovery rates

OUTLOOK FOR THE FOLLOWING YEAR (COMMENCING 13 MONTHS FROM FILING DATE)

Estimated GCRA balance at the start of the year based on both current rates and the rates proposed for the upcoming quarter
Estimated gas costs incurred in the year (including impact of hedging, storage, etc)
Estimated revenue from gas cost rates and cost mitigation revenue in the year based on both current rates and the rates proposed for the upcoming quarter
Estimated revenue from Rate Rider 6 in the year
Estimated GCRA balance at the end of the year based on both current rates and the rates proposed for the upcoming quarter

The most recent forecast may be substituted if actual data is unavailable.

Please use “Variable Energy Charge” in place of “Rate Rider 6” and “energy” in place of “gas” as appropriate in responses to the following IRs.

- 5.1 Under Corix’s proposal, please explain how often Corix will be required to report details of its ECRA balance and forecast energy costs to the BCUC should the minimum rate change threshold not be surpassed for an extended period.
- 5.2 Please confirm, or explain otherwise, that under the proposed rate setting mechanism, Corix will need to complete a review of the ECRA balance and forecast energy costs on a quarterly basis to determine whether a rate application is required.
 - 5.2.1 If not confirmed, please explain how often Corix will perform its ECRA analysis to indicate whether the Variable Energy Charge is required.

- 5.3 Please estimate the additional work required to provide the BCUC with items pursuant to section 4.0 of the Guidelines, in order to review the ECRA balance and forecast energy costs on a quarterly basis to determine if a rate application is required. Please exclude the analysis Corix would already undertake from your estimation.
- 5.3.1 Please discuss, in Corix's view, whether this amount of work on a quarterly basis constitutes a reasonable regulatory cost to Corix DGE customers.
- 5.3.1.1 If Corix does not consider this reasonable, please propose an alternate filing option that would allow the BCUC to monitor Corix DGE's ECRA balance and energy costs on a more regular basis, with reasonable costs to Corix DGE customers.
- 5.4 Please identify which of the items from section 4.0 of the Guidelines would not be reviewed by Corix on a quarterly basis to determine if a rate application was required for Corix DGE under the proposed rate setting mechanism.
- 5.4.1 For each item identified above, please estimate the work that would be required for Corix to produce this information on a quarterly basis.
- 5.4.2 Please discuss whether Corix views that providing the items identified above would lead to unreasonable regulatory costs for Corix DGE customers.