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July 10, 2018

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Inc. (FBC)
Project No. 1598939
2017 Cost of Service Analysis and Rate Design Application (the Application)
Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 2

On December 22, 2017, FBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-101-18 establishing the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to CEC IR No. 2.

If further information is required, please contact Corey Sinclair at (250) 469-8038.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

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1 48. **Reference: Exhibit B-13, CEC 1.2.1.2 and Exhibit B-8, BCUC 1.9.2**

2.1.2 If it is not the optimal percentage does FBC believe that it could migrate customers do a different percentage over a period of time? Please explain.

Response:

Please refer to the response to BCUC IR 1.9.2. If a different percentage were chosen that created more significant changes between the current and proposed rates, then some sort of transition or “migration” could be contemplated. The number of years over which such a transition would occur would depend on the magnitude of bill impacts for each class. Similar to the RCR transition that is proposed in the Application, FBC would endeavour to manage bill impacts such that customers would not experience rate shock over a short period of time. At 55 percent, the only class that has a pronounced difference between the current and proposed Customer Charge is RS 21. However, for this class the Customer Charge is not a significant factor in the overall billing as reflected in the bill impacts.

9.2 Please explain the process that was undertaken and the factors that were considered in arriving at the recommendation of a minimum fixed cost recovery of 55 percent of customer related unit costs and 65 percent of fixed infrastructure related unit costs.

Response:

In determining the percentages of cost recovery to recommend in the Application, FBC compared the current rates for each rate class to the appropriate unit costs as determined in the COSA.

While there is no standard or “correct” level at which to set the recovery percentages, FBC believes that a more consistent level of recovery across the rate classes is desirable from an equity standpoint, would better reflect the costs derived in the COSA and would begin to



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address the challenges that may emerge as customers gain the ability to reduce their contribution to the fixed costs of the utility system.

The target level of 65 percent for demand-related cost recovery was made in consideration of current levels. For example, as seen in Table 3-2, the current recovery percentages for the demand-related rates components of RS 21, RS 30, RS 31, RS 40 and RS 41 are 49 percent, 66 percent, 67 percent, 60 percent, and 98 percent respectively.

The determination is somewhat intuitive. In choosing 65 percent, FBC would increase the demand-related cost recovery of RS 21 and RS 40 to a percentage level quite close to RS 30 and RS 31 without having to lower the recovery of the latter two rates. As an extreme outlier, RS 41, which is applicable to the City of Nelson only, was not considered to be a factor. A similar process was used in the determination of the 55 percent Customer Charge recommendation.

1

2 48.1 Would FBC consider migrating customers to higher percentages of recovery
3 such as 70% or 75% at some point in the future? Please explain why or why not.

4

5 **Response:**

6 FBC would consider a higher recovery percentage in the future if warranted by the
7 circumstances. One such potential circumstance could arise if the prevalence of distributed
8 generation resources made fixed cost recovery problematic and led to an unacceptable shift in
9 the burden of the costs to other customers. However, while the increases requested in the
10 Application are relatively minor, greater increases would need to be evaluated alongside other
11 considerations such as the accompanying decrease in the energy rate and any policy
12 imperatives that may exist at the time. The Company does not have a long term objective of
13 increasing the percentage of fixed cost recovery through fixed charges.

14

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1 **49. Reference: Exhibit B-13, CEC 1.5.3**

2
3 **Response:**

Small-scale distributed generation technology is gaining traction with customers for a few reasons, including the perception that distributed generation is "greener" than utility generation, the desire to become more energy independent, and the perception that they are saving money.

2

3 49.1 Please provide FBC's views as to whether distributed generation is actually
4 'greener' than utility generation and whether distributed generation is actually
5 more cost effective than utility generation.

6

7 **Response:**

8 In the particular circumstance of FBC, the addition of incremental distributed generation (which
9 FBC assumes in this response to be "green" as opposed to fossil-fuel based) does not lead to
10 an overall increase in the percentage of green generation in the FBC service area. FBC's own
11 generation, and the other resources upon which it relies, are already at least 95 percent hydro-
12 power based. In the case of FBC resources, the generation has been in place for decades.
13 The addition of small scale DG resources serves to displace existing green resources, and the
14 addition of large scale DG may have impacts greater than utilizing the embedded FBC
15 resources if the addition of such resources forces BC Hydro to spill additional amounts of water
16 during the freshet season.¹

17 It is difficult to comment specifically on cost-effectiveness. FBC acknowledges that the installed
18 cost of DG is declining, particularly in the case of solar PV; however, at the current time service
19 from existing utility supply is still generally less expensive when all costs are considered.

20

21

22

23 49.2 Please compare and contrast quantitative evaluation of the above.

24

25 **Response:**

26 FBC does not believe that a conclusive quantitative evaluation of these factors is possible as
27 they are by definition based in customer perception and desire, and are highly subjective and
28 based on each individual situation.

29

¹ Under the Canal Plant Agreement, FBC receives an entitlement from BC Hydro and BC Hydro orders the actual dispatch level of the FBC generation resources, which is managed on a Provincial basis.

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1 **50. Reference: Exhibit B-13, CEC 1.9.3 and 1.9.4.1**

9.3 Please identify any alternatives FBC considered for functionalizing General Plant, rather than on labour, and explain why FBC selected labour as the best methodology.

Response:

The Company consulted with EES to provide the following response.

FBC did not identify any alternatives. The use of labour ratios was the method approved by the Commission in the 2009 Rate Design Application and no changes in circumstances had occurred to warrant a change in the methodology.

2

9.4.1 If confirmed, why did FBC use FTEs assigned to each area instead of labour \$ values to functionalize General Plant?

Response:

The Company consulted with EES to provide the following response.

The number of FTEs was consistent with the approved methodology in the 2009 COSA and there were no changes in circumstances that would warrant a change in the method. Further, the number of FTEs was more readily available than the \$ values, and it was not expected that the salaries on a per FTE basis were significantly different between the generation, transmission and distribution functions.

3

4 50.1 Please identify and provide a brief discussion of any other metrics that FEI or
5 EES is aware of that are typically used to functionalize general plant.

6

7 **Response:**

8 The Company consulted with EES to provide the following response.

9 The only other method we are aware of is to functionalize on the basis of gross plant without
10 general plant. Because general plant is made up of things like the buildings to house
11 employees, computer equipment used by employees, and vehicles driven by employees, the
12 number of employees better reflects the cost causation of the general plant items. In cases
13 where the number of employees is not readily available, or when the number of employees does
14 not drive the items included in general plant, the basis of all other gross plant is generally used.

15

16

17



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1 50.2 Despite the fact that no circumstances have changed as far as EES is
2 concerned, please identify whether any of these alternatives could be a rationale
3 alternative approach.
4

5 **Response:**

6 The Company consulted with EES to provide the following response.

7 The use of gross plant (without general plant) would be reasonable and would not change the
8 results significantly.

9

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1 **51. Reference: Exhibit B-13, CEC 1.9.2**

- 9.2 BC Hydro's Functionalization process apportioned costs between Generation, Transmission, Distribution and Customer Care. Please explain why FortisBC uses only Production, Transmission and Distribution and discuss the merits of each method.

Response:

The Company consulted with EES to provide the following response.

FBC does not use Customer Care as a separate function but rather treats it as a distribution function. This is consistent with the approach used in the 2009 COSA and accepted by the Commission at that time. This reflects an unbundling of costs into the three main functions for use in the event that customers have retail access and can purchase power supply from an alternate source. BC Hydro does not allow retail access, while FBC does allow retail access in limited circumstances (although no customer has ever been provided with retail access). In the case of retail access, the Customer Care component would remain with the distribution utility. Whether or not Customer Care is treated as a separate function, the costs would be classified and allocated on the basis of customers. The amounts allocated to each class and included in the customer-related unit cost would be the same regardless of whether that separate function was used.

2

- 3 51.1 Please provide the circumstances under which FBC allows retail access.

4

5 **Response:**

6 Retail (and Wholesale) access are provided only pursuant to the Access Principles Settlement
7 Agreement attached to Commission Order G-27-99. The only customers that are eligible for
8 such access are the Company's largest industrial customers (Commercial –Transmission) and
9 Wholesale customers, both Primary and Transmission.

10

11

12

- 13 51.2 Please confirm the CEC's understanding of this response that including
14 Customer Care as a separate function would not necessarily impact the R:C
15 ratios of the various customer classes.

16

17 **Response:**

18 The Company consulted with EES to provide the following response.

19 Confirmed.

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1 **52. Reference: Exhibit B-13, CEC 1.11.2**

11.2 What is the total value and the proportion of power supply costs contributed by Kootenay River Plants?

Response:

The Company consulted with EES to provide the following response.

The 2017 mid-year net book value of the Kootenay River Plants is \$185.6 million.

The following table summarizes the various expense items from the 2017 COSA associated with the Kootenay River Plants:

	FBC Resource Expense
O&M	\$13,555,250
Depreciation	\$4,507,000
Return	\$15,716,433
Taxes	\$1,954,533
Total	\$35,733,215
Total Production Expenses (without return, depreciation and taxes)	\$152,159,234
Total Production Expenses (with return, depreciation and taxes)	\$174,337,200
FBC Resource Cost as a Percent of Total Production Expenses	20.5%

The total costs for the FBC Kootenay River Plants are 20.5 percent of the total cost associated with power supply. Note that these costs exclude any assigned share of general plant or A&G costs.

2

3 52.1 Please confirm that 'return' refers to Return on Equity.

4

5 **Response:**

6 The Company consulted with EES to provide the following response.

7 The Return includes the total return on rate base based on a weighted cost of capital. This
 8 would include the return on debt as well as the return on equity.

9

10

11



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1 52.2 Please breakout the Total Production Expenses of \$174,337,200 by O&M,
2 Depreciation, Return and Taxes.

3

4 **Response:**

5 The Company consulted with EES to provide the following response.

6 The following table provides the requested breakout of expenses:

	FBC Resource Cost	Other Cost	Total Cost
Purchased Power Cost	\$0	\$136,215,508	\$136,215,508
O&M	\$13,555,250	\$2,388,477	\$15,943,726
Depreciation	\$4,507,000	\$0	\$4,507,000
Return	\$15,716,433	\$0	\$15,716,433
Taxes	\$1,954,533	\$0	\$1,954,533
Total	\$35,733,216	\$138,603,985	\$174,337,200

7

8

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1 **53. Reference: Exhibit B13, CEC 1.15.2**

15.2 Please justify the assumption that market purchases provide 0 capacity.

Response:

The Company consulted with EES to provide the following response.

EES was correct that the purchases classified as energy-related did not provide any capacity. This is not to say that market purchases can never provide capacity, but the market purchases included as part of the analysis did not provide any capacity since they were not on peak hours.

2

3 53.1 Please provide an explanation as to the 'market purchases that were included as
4 part of the analysis' and market purchases that were not included in the analysis,
5 if any.

6

7 **Response:**

8 The analysis in Table 7 of the EES report were based on a 2017 forecast of power purchase
9 cost. The 2017 forecast included \$8.1 million in market energy block purchases and those were
10 included as part of the analysis. There were no market energy purchases forecast for 2017 that
11 were excluded from the analysis.

12 On a forecast basis, FBC does not have any market purchases for capacity, and FBC relies on
13 its firm contracted resources to meet load. The analysis did not exclude any market purchases
14 that FBC had contracted when the 2017 forecast was complete. Similar to all categories in the
15 analysis, there will be a variance between the forecast used and actuals.

16 In real-time, FBC may rely on the market to meet peak demands, if it can be done at a cost that
17 is lower than if it was supplied under the BC Hydro Rate Schedule 3808. However, FBC does
18 not know when it will require peak day resources in advance, and as such cannot purchase
19 market capacity for peak demand in advance. For this reason, there were no market capacity
20 purchases included in the 2017 forecast.

21

22

23

24 53.1.1 If there were any market purchases that were not included, please
25 explain why not.

26

27 **Response:**

28 Please refer to the response to CEC IR 2.53.1.

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53.1.2 Please provide quantification of market purchases that were included and those that were not included, and quantify which purchases could be considered energy and which purchases could be considered as demand.

Response:

Please refer to the response to CEC IR 2.53.1.

53.1.3 How many years of purchases did the analysis consider?

Response:

The analysis was based only on the 2017 forecast of power purchase expense.

53.1.3.1 If additional historical years were considered, would the analysis change? Please explain.

Response:

Using a different year, or a combination of years would change the result slightly, but FBC does not believe the change would be material.

53.1.3.2 If the analysis would change significantly, please provide quantification of how it might change.



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- 1 **Response:**
- 2 Please refer to the response to CEC IR 2.53.1.3.1.

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1 **54. Reference: Exhibit B-8, BCUC 1.26.2.1**

A zero intercept method best matches the theory behind a minimum system, in that it reflects a smaller size than might actually exist. Unfortunately, the results do not make sense as the zero-intercept cost is often a negative number or the regression used does not have a high level of statistical significance.

2

3 54.1 Are there ways to modify the zero intercept approach (other than switching to the
4 minimum system approach and PLCC adjustment such that the statistical
5 significance could be improved? Please explain.

6

7 **Response:**

8 The Company consulted with EES to provide the following response.

9 There could be adjustments made to transform the underlying data, such as looking at material
10 only costs for the regression analysis and then adding labor to the cost after the zero intercept is
11 found. A non-linear transformation could be attempted in the regression analysis. The results
12 could be adjusted manually to “visually” estimate what might look like a reasonable number for
13 the zero intercept that would still be positive. With all of these modifications there would be a
14 larger amount of uncertainty in the results when compared to the minimum system method.

15

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1 **55. Reference: Exhibit B-13, CEC 1.22.2**

It is incorrect to say that R/C ratios of unity are the preferred ratios. The Commission in its past decisions has directed utilities to use the RoR as a guide to rate setting and rebalancing proposals. In its recent decision on the FEI's cost of service allocation and revenue to cost ratios, the Commission said:

The panel finds that the R:C ratios should be used to inform rate design and rate rebalancing proposals.¹¹

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...

...The Panel accepts that in theory an R:C ratio of 100 percent for each rate schedule would indicate that the revenues recovered from each rate schedule are equal to the cost to serve them. However, due to the assumptions, estimates and judgements involved in a COSA study, the Panel considers it appropriate to use a range of reasonableness.¹²

2

As described in Section 3.2 of the Application, FBC's rate design review and proposals are also guided by the widely accepted rate design principles based on Dr. Bonbright's work. FBC believes that the use of a RoR for R/C ratios for a rate design process is based on the cost causation principle as articulated in Principle 2 (Fair apportionment of costs among customers) and represents an important foundation upon which cost allocation and rate design should rest.

Rate design is a complex balancing process, as it frequently requires the application of multiple, and sometimes conflicting, rate design principles and the consideration of viewpoints from various stakeholders. In addition, different rate design principles may have varying levels of importance in different contexts. FBC, therefore, applies its experience and judgement to consider and balance the most relevant principles in a given context when identifying rate design issues and proposing rate design solutions.

In FBC's view, the Commission takes into account all of these rate design principles and other considerations in evaluating a utility's rate design proposals and establishing the appropriate rates.

3

4 55.1 Please confirm FBC's view that it is equitable for a customer class to remain
5 consistently above unity (but within the ROR) while other customer classes
6 remain consistently below unity?
7

8 **Response:**

9 Confirmed. FBC believes that it is equitable for a customer class to be consistently above or
10 below unity as long as the R:C ratios are within the range of reasonableness. The number of
11 assumptions, estimations and judgments used in arriving at the allocated costs by customer

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1 class in a COSA mean that a customer class should be considered as fairly recovering its costs
2 if the R:C ratio is within the range of reasonableness. Further, the range of reasonableness is
3 just one of the several considerations used as a guide to rate setting and rebalancing proposals.
4 There might be other conflicting rate design principles and considerations with varying levels of
5 importance in different contexts that need to be balanced in a rate design process.

6
7

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9 55.1.1 If not, please explain.

10

11 **Response:**

12 Please refer to the response to CEC IR 2.55.1.

13

14

15

16 55.1.2 If yes, please confirm that it would be equally equitable from a cost
17 causation perspective for the relative rate class positions to be switched
18 such that those customer classes with R:C above unity could be moved
19 to below unity, and vice versa.

20

21 **Response:**

22 Not confirmed. The COSA study results in the total allocated costs for each rate class and
23 switching relative rate class positions with R:C ratios above unity to below unity or vice-versa
24 would have to change the allocated costs to that rate schedule, which is not equitable from cost
25 causation perspective. FBC believes that from the cost causation perspective, any rate class
26 with an R:C ratio above or below unity but within the range of reasonableness is deemed to be
27 fairly recovering its allocated costs. As explained in the preamble to this question, as a COSA
28 study necessarily involves assumptions, estimates, simplifications, judgements and
29 generalizations, a range of reasonableness is warranted and accepted when evaluating the
30 appropriateness of the R:C ratios of any rate class.

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1 55.2 Please confirm that the primary reason for rebalancing is fairness, and that it is
2 only fair for customer classes to pay the cost of their service, subject to other
3 considerations which may lead to not rebalancing.
4

5 **Response:**

6 FBC agrees that an important reason for rebalancing is fairness. Subject to the recognition that
7 cost allocation amongst customers and customer classes is subject to uncertainty due, as noted
8 in the preamble, “to the assumptions, estimates and judgments involved in a COSA study”
9 fairness is taken to mean that customers pay a reasonable share of the costs of providing
10 service to them. However, as suggested by the question, there may be other considerations
11 that may influence the degree to which rebalancing is approved by the Commission.

12
13

14

15 55.3 Please confirm the Commission may have multiple considerations for not
16 rebalancing such as:

- 17 • If it would not be cost-effective to do so at the time;
18 • if the rate or bill impact exceeded a level deemed unacceptable;
19 • if rate stability over time were negatively impacted;
20 • if customer understanding and acceptance could not be managed.

21

22 **Response:**

23 Confirmed.

24

25

26

27 55.4 Please confirm that Bonbright does not require a Range of Reasonableness in its
28 accepted principles of rate design.

29

30 **Response:**

31 Bonbright acknowledges the concept of range of reasonableness among the accepted
32 principles of rate design. However, rather than using the term “range of reasonableness”,
33 Bonbright has referred to the concept as a “zone of reasonableness” that applies to a broader
34 context than just the COSA study for a rate setting process. As explained in response to CEC IR

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1 2.55.3, the range of reasonableness is warranted for a COSA study as it involves assumptions,
2 estimates, simplifications, judgements and generalizations. This is a standard practise and a
3 widely used concept followed by utilities when evaluating the appropriateness of the R:C ratios
4 for a COSA study.

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8 55.5 Please confirm that the Commission is not bound to rely on the calculated R:C
9 ratios in making its determinations as to the appropriate rates.

10

11 **Response:**

12 FBC confirms that the Commission is not bound to rely solely on the calculated R:C ratios in
13 making its determinations as to the appropriate rates. As mentioned in response to CEC IR
14 2.55.01, the range of reasonableness on calculated R:C ratios is just one of the several
15 considerations used as a guide to setting appropriate rates.

16
17

18

19 55.6 Please confirm that the Commission has the discretion to balance the various
20 principles of rate design following the calculation of the R:C ratios information,
21 rather than by embedding an error set into the information itself. ie. For instance,
22 the Commission could accept the R:C figures as is, and balance the importance
23 of making adjustments with its view of fairness and other principles.

24

25 **Response:**

26 The response to this question also addresses CEC IRs 2.55.7 and 2.55.8.

27 FBC disagrees with the premise in the question that there is somehow an error set in the R:C
28 ratios information. The Commission could accept the calculated R:C figures as is, but as
29 mentioned in the response to CEC IR 2.55.01.2, the range of reasonableness on R:C ratios is
30 warranted and accepted when evaluating the appropriateness of the R:C ratios of any rate class
31 because the numerous estimations, simplifications, judgements and generalizations in the
32 COSA study make the results uncertain. FBC is of the opinion that even though there is no
33 specific threshold, the appropriate range of reasonableness depends on the particular
34 circumstances of a public utility. As Elenchus (independent consultant in the 2016 FEI Rate



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1 Design proceeding) has opined, consistency with past practices adopted in relation to the utility
2 is the most important consideration.²

3 FBC believes it is appropriate that the Commission, in making its determination of appropriate
4 rates, takes into account and balances all rate design principles and considerations, including
5 the range of reasonableness on R:C ratios as a guide, when evaluating an applicant's rate
6 design and rebalancing proposals.

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10 55.7 Please confirm that the Commission could account for its view of the accuracy of
11 the R:C ratios by relying on the R:C figures as calculated, and adjust its
12 weighting of cost causation as a principle accordingly, rather than attempting to
13 install an 'error threshold' of +/- some percentage or other figure.

14
15

Response:

16 Please refer to the response to CEC IR 2.55.6.

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20 55.8 Please confirm that there is no specific threshold that marks an end-point to the
21 percentage error that can occur.

22
23

Response:

24 Please refer to the response to CEC IR 2.55.6.

25
26
27

28 55.9 Would FBC agree that, in the absence of bias, consistent results over multiple
29 cost of service analysis should indicate that the results are more likely to be
30 consistently valid than if they were only conducted once.

31

² Exhibit A2-10 of 2016 FEI Rate Design Application, Elenchus Rate Design Report, p. 35.

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1 **Response:**

2 Agreed. Further, FBC does not believe that there has been any bias in its cost of service
3 analysis (please refer to the response to CEC IR 2.55.10). FBC's cost of service analysis
4 (COSA) methods are in accordance with standard utility practice, consistent with the past
5 practice of the utility and accepted by the Commission, leading to consistently valid results.

6

7

8

9

10 55.10 Does FBC believe it has bias in its R:C ratio calculations? Please explain why or
11 why not.

12

13 **Response:**

14 No. As explained in response to CEC IR 2.55.6, necessary inherent assumptions, estimations,
15 simplifications, judgements and generalizations in a COSA study make results uncertain.
16 However that does not mean that FBC's COSA study has any bias in its cost allocations and
17 resulting R:C ratio calculations as these calculations are a result of COSA study in which costs
18 are allocated to rate schedules based on cost causation using Industry accepted allocation
19 approaches that have been accepted by the Commission in previous decisions.

20

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22

23 55.11 If yes, please discuss and identify the bias and how it is occurring.

24

25 **Response:**

26 Please refer to the response to CEC IR 2.55.10.

27

28

29

30 55.12 Does FBC believe that electric utility costs can be more accurately assessed
31 than those of gas utilities? Please explain and provide any references that FBC
32 or FEI has made with regard to the comparative differences.

33

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1 **Response:**

2 The Company consulted with EES to provide the following response.

3 There are two factors to consider when looking at whether or not the COSA results in an
4 accurate assessment of costs. The first factor is the accuracy of load data used to develop
5 peak demand allocation factors. FBC has hourly metered data for electric customers that is not
6 available for natural gas customers. Because of the added metering capabilities, the demand
7 allocation factors used for the electric utility are more accurate than the demand allocation
8 factors used for the natural gas utility. FEI proposed a broader range of reasonableness of 90
9 percent to 110 percent for the gas utility in part because of the uncertainty in the load data.

10 The second factor is the differences of opinion in the various COSA methods that can be used,
11 such as using a minimum system approach or 100 percent demand approach for distribution
12 classification. These differences are often based on the interests of various customer classes
13 and the utility must balance those different interests. Because a COSA must select various
14 methods that not all parties will agree with, the results are open to interpretation as to whether
15 or not they are accurate. With respect to this second factor, there is no greater accuracy for the
16 electric utility than for the natural gas utility.

17 Overall, FBC would expect that the electric COSA would provide more accurate results than the
18 natural gas utility. However, the electric utility COSA is still subject to various assumptions,
19 estimations and judgments, and therefore not 100 percent precise. It is appropriate therefore to
20 continue to use the proposed 95 percent to 105 percent range of reasonableness.

21

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1 **56. Reference: Exhibit B-13, CEC 1.23.2**

23.2 Are there any legal or other requirements preventing FBC from rebalancing towards unity? Please explain.

Response:

There is an existing Commission Decision preventing FBC from rebalancing at all where a R/C ratio is within the currently approved RoR (95 percent - 105 percent).

In the Commission's G-156-10 Decision in FBC's 2009 COSA and RDA, the Commission determined the appropriate target R/C in each rate schedule was to be one, with future rebalancing necessary only when customer classes fell outside the range. (Emphasis added)

It is plausible that where a class R/C ratio falls outside of the RoR that rebalancing could occur such that the impacted class would target unity; however, moving these classes in isolation would not be equitable in the view of FBC.

23.4 Would FBC consider it fair if all rate classes were rebalanced either at once or over a period of time towards unity? Please explain why or why not.

Response:

In the view of FBC, rebalancing all customer classes to unity as a result of this COSA would not be fair since the Commission determined in the 2009 COSA process that such rebalancing

would not occur as long as a customer class remained within the established RoR. While the Commission is not bound by the precedent of its decisions, it would seem unfair to reverse a recent decision on a topic of this nature, in conflict with customer expectations, without a compelling change in circumstances.

2

3 56.1 Please confirm that Commission Order G-156-10 is not a law and does not bind
4 the Commission.

5

6 **Response:**

7 Commission Order G-156-10 is not legislation (if this what is intended to be meant by "a law").

8 It is a decision and, as the quoted response noted, the Commission is not bound by precedent.

9 However, the Order is binding on FBC.

10

11

12

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1 56.2 Please explain why moving rate classes in isolation would not be equitable in
2 FBC's view.

3
4 **Response:**

5 FBC has not stated that moving rate classes in isolation would not be equitable, and has in fact
6 proposed to rebalance only RS 50 and RS 31. FBC stated specifically that it would not be
7 equitable to move rate classes *to unity* in isolation since this would require a standard of cost
8 recovery not imposed on the other classes of customers.

9
10

11

12 56.3 Please provide examples of what might constitute a 'compelling change of
13 circumstances'.

14

15 **Response:**

16 A compelling change in circumstances would be a Commission directive (different than that
17 contained in G-156-10) which provided explicit direction to rebalance in a different manner.

18

19

20

21 56.4 Please confirm that a 'compelling circumstance' could include the Commission
22 determining that it is unfair to leave one class with an R:C Ratio above others,
23 and one class with an R:C ratio below others.

24

25 **Response:**

26 Confirmed.

27

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1 57.

Reference: Exhibit B-8, BCUC 1.76.4.2 and 1.76.5.1.1

76.4.2 What are the lessons learned from the last 20 years?

Response:

FBC has not surveyed its existing TOU customers to determine whether or not their experience with TOU has been as expected, and since a large number of them enrolled in TOU while customers of Princeton Light and Power prior to its acquisition by FBC, their original motivation to join in TOU rates is not known. However, given the relatively low participation rates over the last 20 years it would appear that customers have a preference for a simple, stable rate structure. In the past decade, the general level of rates has risen, and the introduction of the RCR has raised the overall cost of energy for high consuming customers. This has raised interest in the availability of TOU rates, but it appears more as a bill mitigation opportunity than as a conservation measure.

Since the rates were originally put in place in anticipation of market reforms that did not fully materialize, FBC is of the view that the design of rates is best approached from a standpoint that considers costs that are known at the time rates are set, or with an expectation of known and measurable changes that have a greater certainty.

76.5.1.1 For those customers that signed up for these optional TOU rates and later opted out, what factors would explain why they opted out?

Response:

Please refer to the response to BCUC IR 1.76.5. There has been little to no historical change in the number of customers enrolled in TOU rates; therefore, there is no data to explain what factors may have led customers to opt out.

2

3 57.1 Would FBC consider surveying its customers for their experience and
4 expectations with regard to TOU? Please explain why or why not.

5

6 **Response:**

7 FBC is not considering a survey of its existing TOU customers at this time. The current
8 residential TOU rate is closed to new customers and a survey of existing customers would serve
9 little purpose since FBC maintains this rate only as a legacy offering and is not planning any
10 changes to it.

11 Should the new TOU rates be approved then the Company will open a dialogue with
12 participants in order to provide feedback to the Commission during the three-year trial period.



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57.2 Could a survey be implemented with relative ease and at little cost? Please explain and provide quantification for the possible timing and costs.

Response:

Please refer to response to BCUC IR 1.76.5. There is an insufficient number of cases to provide meaningful insight. Only five customers have left the TOU rates since the introduction of the RCR in 2012, which are too few instances from which FBC could draw conclusions.



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1 **58. Reference: Exhibit B-8, BCUC 1.76.5.2**

76.5.2 What would FBC do differently moving forward to increase customer uptake for each of the TOU rate classes?

Response:

The decision to enroll in a TOU rate rests with the customer, based on their particular goals and their consumption behaviour. The role of FBC is to provide information that can assist in that decision. With the implementation of AMI, the Company can provide a bill analysis utilizing hourly data to assess potential TOU bill impacts for customers.

FBC intends to continue to encourage customers to contact Customer Service directly if they have any questions about any of FBC's services, and will update communication materials such as on the Fortisbc.com website with additional information on the TOU rates.

2

3 58.1 Does FBC intend to do any advertising or take other proactive measures to
4 encourage customers to try TOU rate?

5

6 **Response:**

7 Please refer to the response to BCUC IR 1.95.1.

8

9

10

11 58.1.1 If yes, please describe.

12

13 **Response:**

14 Please refer to the response to CEC IR 2.58.1.

15

16

17

18 58.1.2 If no, please explain why not.

19

20 **Response:**

21 Please refer to the response to CEC IR 2.58.1.

22

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1 **59. Reference: Exhibit B-13, CEC 1.37.4**

37.4 Would FBC consider a phased-in approach? Please explain.

Response:

FBC is not proposing to phase-in the RS 21 rate changes because only 4.8 percent of the customers have an annual bill impact greater than 10 percent and there are a much higher number of customers that would benefit from the change. However, FBC is aware that the 4.8 percent of negatively impacted customers may have significant annual increases unless consumption habits change and load profile improves (the average load factor of this group is 5.6 percent).

Rather than phasing in the changes for all customers, FBC would prefer to work with these relatively few customers through its Key Account and Energy Management initiatives to seek ways to mitigate bill impacts.

2

3 59.1 Please provide a few examples of the manner in which FBC can assist
4 customers to mitigate bill impacts.

5

6 **Response:**

7 FBC offers a range of programs that target the major end-uses of its Commercial customers,
8 which includes those on RS21.

9 Energy-efficiency upgrades reduce electricity use, thus mitigate the participant's bill impacts,
10 and often produce non-energy benefits e.g. improved lighting quality, reduced maintenance etc.
11 that provide additional value to those customers.

12 FBC's DSM programs include energy assessments (walk-through to complex consultant
13 reports) and rebate offers for relevant end-uses such as lighting, refrigeration, irrigation
14 (pumping) etc. Prescriptive (product) rebates can be assessed via FBC's on-line application
15 portal, or point-of-sale rebates through participating suppliers. For larger, more complex
16 projects, a custom business efficiency project path is available.

17

18

19

20 59.2 Would FBC consider a phased in approach for those few customers with
21 significant bill increases if other measures are not successful? Please explain
22 why or why not.

23



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1 **Response:**

2 The rate changes proposed by FBC provide better alignment with cost causation than do the
3 current rates. While there are relatively few customers in this class that may have adverse bill
4 impacts greater than 10 percent based on 2016 load, these customers have an average load
5 factor of less than 6 percent and can be viewed as not adequately contributing to their cost-to-
6 serve for a prolonged period. FBC is committed to providing technical assistance to dealing
7 with the load factor issues, but if these efforts are not successful, the Company does not believe
8 that it would be appropriate to provide rate relief. FBC also notes that this question appears to
9 describe a backward looking process where the new rates are already in effect and then would
10 be phased in after the fact; it is unclear to FBC how this would work in practice.

11

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1 **60. Reference: Exhibit B-13, CEC 1.41.1 and Exhibit B-8, BCUC 1.55.1**

41.1 Please provide an order of magnitude estimation of the 'minor impact' on other customers that would likely occur.

Response:

Please refer to the response to BCUC IR 1.55.1.

55.1 What is FBC's timeline and estimated resources/costs to complete the load forecast studies to determine the impact of addressing the request from the KID regarding irrigation TOU rates during non-irrigation season? Please discuss.

Response:

FBC has not indicated that load forecast studies are required in order to determine the impact of the requested change on the irrigation and non-irrigation customers. The Company has sufficient historical load information to build load profiles and conduct sensitivity analysis around potential load shifting to determine the impact that this may have on costs and the rates of other customers.

2

3 60.1 Please advise if there is a different response to which FBC was directing the
4 CEC in response to CEC 1.41.1; and if so, what the correct response would be.

5

6 **Response:**

7 FBC had intended the reference as indicated, however, the conclusion that was intended to be
8 drawn from the referenced IR is not clear. FBC intended for this referenced response to point
9 out that without the completion of the required studies, information on the impact of the KID
10 proposal, including the information sought by CEC IR 1.41.1 will not be available.

11