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November 20, 2018

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Inc. (FBC) 2017 Cost of Service Analysis and Rate Design Application (2017 RDA)**  
**Project No. 1598939**  
**FBC Submission on Exhibit A-19**

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On November 16, 2018, the British Columbia Utilities Commission (BCUC) issued Exhibit A-19, in response to an e-mail received by the BCUC from registered intervener, the Kaslo Senior Citizens Association Branch #81 (KSCA) (the KSCA e-mail).

As a result of the KSCA e-mail, the BCUC seeks submissions from FBC and interveners in the 2017 RDA on three specific points:

1. Whether FBC has to date complied with Directive 5 of Order G-3-12 regarding an in-depth analysis of the LRMC based on the specific requirements outlined in the FBC RIB Rate Decision.
2. If FBC has not complied with Directive 5 of Order G-3-12, the implications, if any, this has on FBC's approvals sought in the current Application and on the Panel's ability to render a decision on specific items in the Application.

3. Whether the evidentiary record should be reopened to address any of the issues raised in KSCA's email, including whether corrections are required to be made to the Application and, in particular, to the COSA study.

Exhibit A-19 requests FBC to include submissions on the above items as part of its reply argument due on November 22, 2018. Interveners were invited to provide submissions on the above items by November 22, 2018, and KSCA may provide a reply submission by November 29, 2018.

FBC had originally intended to respond to the submissions of British Columbia Old Age Pensioners' Organization *et al* (BCOAPO) regarding the FBC COSA and compliance with Order G-3-12 in its Reply Argument as a matter of normal process. In the interim, however, FBC is filing the below information regarding compliance with Order G-3-12 in order to provide some background for interveners prior to the filing of their own submissions on this point. Although FBC only received the KSCA correspondence on November 16, 2018 and as such, given the short time frame that has elapsed, it reserves the right to expand on its response in the November 22, 2018 Reply Submission, to the extent that any revisions may be required, FBC expects such revisions to be minor and not material.

With respect to issue 1, whether FBC has to date complied with Directive 5 of Order G-3-12 regarding an in-depth analysis of the LRMC based on the specific requirements outlined in the FBC RIB Rate Decision, FBC provides the following response.

1. In its 2017 RDA Final Submission at page 38, the BCOAPO claims that with regard to the requirement contained in the original RIB Decision that FBC, "...provide an update of the full long-run marginal cost of acquiring energy from new resources, including the cost to transport and distribute that energy to the customer as part of the reporting to be submitted in 2014", "...has not been provided to-date". This is not the case.
2. The original RIB Order and Decision (G-3-12) contained the requirement in Directive 5 to file an evaluation report (the G-3-12 Report) for the period from the implementation date to December 31, 2013 by a due date of April 30, 2014. As noted above, the G-3-12 Report, per the Order, "...should also include an in-depth analysis of the full long-run marginal cost of acquiring energy from new resources, including the long-run marginal cost to transport and distribute that energy to the customer, and how that cost compares to the Block 2 rate..."
3. On August 22, 2013, in response to a large number of customer complaints, the Commission issued Order G-127-13, requiring FBC to file a Preliminary Report covering the period from implementation to July 31, 2013. This Preliminary Report was to include, "where reasonable, a summary analysis of the full long-run marginal cost to acquire

energy from new resources, including the long-run marginal cost to transport and distribute that energy to the customer...”<sup>1</sup> (Emphasis Added)

4. Order G-153-13, dated September 18, 2013, issued in response to a request made by FBC, changed the reporting period for the Preliminary Report required by Order G-127-13 to, “...the date of implementation to June 30, 2013”. This change was solely to make the period covered by the Preliminary Report equal to 12 months.
5. In September of 2013, the Commission initiated a process to amend the reporting requirements of G-3-12. This resulted in Order G-182-13A. The net result of this Order was that:
  - The original due-date for the G-3-12 Report (April 30, 2014) was changed to November 30, 2014;
  - The G-3-12 Report was to cover the period from the date of implementation (July 1, 2012) to June 30, 2014; and
  - The G-3-12 directive regarding in-depth analysis of the full long-run marginal cost to acquire energy from new resources, including the long-run marginal cost to transport and distribute that energy to the customers remained in place.
6. On October 31, 2013, FBC filed the Preliminary Report, including the summary discussion of LRMC at page 29. (The “in-depth analysis” was not a requirement of the Preliminary Report.)
7. On May 26, 2014, *prior to the due date of the G-3-12 Report*, the Commission issued Order G-67-14 in the FBC Stepped and Stand-By Rates for Transmission Customers Application. The Panel noted at page 18 of the Decision:<sup>2</sup>

The Commission Panel determines that the next appropriate time to review the potential effectiveness of a stepped rate and the appropriate basis for determining FortisBC’s LRMC should be in conjunction with FortisBC’s next Resource Plan expected to be filed in 2016.

8. As a result of the G-67-14 Decision, FBC considered that the LRMC discussion was to be included in the 2016 LTERP rather than in the G-3-12 Report as previously required.

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<sup>1</sup> Order G-127-13, Directive 2.

<sup>2</sup> The chronology of LRMC submissions discussed by BCOAPO at pages 37-38 of its Final Submission notes Order G-3-12 as well as the 2014 RCR Report and 2016 LTERP filing, it omits the Commission direction contained in the G-67-14 decision.

9. FBC filed the G-3-12 Report on November 28, 2014 in accordance with the revisions contained in G-182-13A. The G-3-12 Report discussed LRMC at page 23 and provided LRMC-related information current at the time. Consistent with the BCUC directive in G-67-14, FBC also noted.
- FBC intends to provide an in-depth analysis of LRMC in its next Long-Term Resource Plan and Long Term DSM plan expected to be filed in 2016, for which consultation is currently underway.
  - Without the benefit of the detailed work being undertaken as part of that process, it would be premature to file anything substantive that differs from the LRMC discussed in recent regulatory submissions.
  - Until the evidence that will be in the LTERP can inform an update to the LRMC, FBC considers the value discussed below (\$111.96/MWh)<sup>3</sup> to be the appropriate comparator for the Tier 2 rate for information purposes.

By Letter L-4-15 the BCUC allowed interveners in the original RCR proceeding to comment on the G-3-12 Report. Of note in the intervener comments was the fact that none of the four (which included BCOAPO) who made comments on the Report made any claim that FBC had failed to comply with the reporting requirements of Orders G-3-12, G-127-13, or G-182-13A.

10. FBC filed the 2016 LTERP and Long-Term DSM Plan on November 30, 2016. Section 9 of the 2016 LTERP contained the summary of potential values for the LRMC, while Appendix K was a 10-page detailed analysis and discussion of the derivation of the values. The regulatory process associated with the LTERP explored the LRMC through numerous information requests and submissions.
11. The 2016 LTERP and Long-Term DSM Plan also incorporated the information contained in the Company's 2017 Demand Side Management (DSM) Expenditures Application<sup>4</sup> which included an updated DCE study, filed as Appendix C in that process. As noted in that Application, "...the DCE study reviewed the methodologies and best practices to determine a utility specific DCE value and determined a new value based on the present value of the anticipated growth related transmission and distribution capital upgrades over the planning horizon." The study determined a DCE value of \$79.85 per kW-yr.
12. Both the energy LRMC and DCE are grossed-up by the avoided transmission and distribution energy losses (also referred to as "line losses").

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<sup>3</sup> As discussed later in this submission, this value no longer represents FBC's view of an appropriate comparator for the Tier 2 rate of the RCR.

<sup>4</sup> [https://www.bcuc.com/Documents/Proceedings/2016/DOC\\_47076\\_B-1\\_FBC\\_2017-DSM-Application.pdf](https://www.bcuc.com/Documents/Proceedings/2016/DOC_47076_B-1_FBC_2017-DSM-Application.pdf).

13. These filings, inclusive of the 2016 LTERP and Long-Term DSM Plan and the related 2017 Demand Side Management (DSM) Expenditures Application, fulfil the Company's obligation from the G-67-14 Decision that the basis for determining FBC's LRMC should be explored in conjunction with FBC's next Resource Plan, including the requirements of the G-3-12 Decision that FBC must include the long-run marginal cost to transport and distribute energy to the customers.

With respect to item 2 from Exhibit A-19, "If FBC has not complied with Directive 5 of Order G-3-12, the implications, if any, this has on FBC's approvals sought in the current Application and on the Panel's ability to render a decision on specific items in the Application", FBC provides the following.

As explained in the response above to Item 1, FBC is of the view that it has complied with Order G-3-12. However, in the event that the BCUC determines that it has not, the Panel's ability to render a decision on specific items in the Application would not be hindered. Although the FBC LRMC was not used in the Application in any way, FBC recognizes that it has become a topic of discussion through the regulatory process. As such, it has been thoroughly explored through evidence, information requests and in addition to the information contained in this submission, will receive additional attention in the Reply Submission of FBC. The record will be sufficient to provide the Panel with all relevant LRMC considerations.

With regard to item 3, "Whether the evidentiary record should be reopened to address any of the issues raised in KSCA's email, including whether corrections are required to be made to the Application and, in particular, to the COSA study", FBC says that it should not.

1. It is not uncommon for there to be differences of opinion regarding the appropriate approaches to use in completing a COSA, and it is commonly acknowledged that some amount of judgement is required in making decision on the inputs to be used. The BCOAPO submission, which is the basis for the KSCA email, itself notes at page 20, "BCOAPO accepts that the minimum system method when combined with the PLCC adjustment as FBC has proposed is a reasonable way of calibrating this split."
2. Even if it were not the case and BCOAPO did not accept a particular methodology utilized by FBC in an aspect of its COSA, the matter would properly be addressed through argument and not in a further round of evidentiary filings. In the opinion of FBC, there is nothing remarkable about the process as it has unfolded to date that would require the filing of additional evidence. As noted in response to the earlier question, the evidentiary record in this matter is already extensive.

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

Sincerely,

**FORTISBC INC.**

***Original signed:***

Diane Roy

cc (email only): Registered Parties