

July 23, 2012

Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.comBritish Columbia Public Interest Advocacy Centre
Suite 209 – 1090 West Pender Street
Vancouver, BC
V6E 2N7Attention: Ms. Leigha Worth, Executive Director

Dear Ms. Worth:

Re: FortisBC Energy Utilities (comprised of FortisBC Energy Inc. (“FEI”), FortisBC Energy Inc. Fort Nelson Service Area (“FEFN” or “Fort Nelson”), FortisBC Energy (Vancouver Island) Inc. (“FEVI”), and FortisBC Energy (Whistler) Inc. (“FEW”) Common Rates, Amalgamation and Rate Design Application (the Application)

Response to the British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al (“BCOAPO”) Information Request (“IR”) No. 2

In accordance with Commission Order No. G-83-12 setting out the Regulatory Timetable for review of the Application, the FEU respectfully submit the attached response to BCOAPO IR No. 2.

If there are any questions regarding the attached, please contact Paul Craig at 604-592-7459.

Yours very truly,

on behalf of the FORTISBC ENERGY UTILITIES***Original signed:***

Diane Roy

Attachment

cc (e-mail only): Commission Secretary
Registered Parties



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy Inc. Fort Nelson Service Area ("FEFN" or "Fort Nelson") Common Rates, Amalgamation and Rate Design Application	Submission Date: July 23, 2012
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") Information Request ("IR") No. 2	Page 1

1.0 Reference: Exhibit B-7, CEC IR 1.4.3

- 1.1 Assuming the amalgamation is approved as proposed, does the FEU expect that over time the cost of gas for FEVI and FEI will converge?

Response:

If amalgamation and common rates are approved as proposed, the FEU expect that the cost of gas for FEVI and FEI will be the same. The cost of gas will be the same because if amalgamation is approved, the gas supply portfolios of FEVI and FEI would no longer be separate but instead combined into a single portfolio serving all the gas entities. Additionally, if postage stamp midstream rates are approved there would be no regional differences in the allocation of gas costs.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy Inc. Fort Nelson Service Area ("FEFN" or "Fort Nelson") Common Rates, Amalgamation and Rate Design Application	Submission Date: July 23, 2012
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") Information Request ("IR") No. 2	Page 2

2.0 Reference: Exhibit B-7, CEC IR 1.18.4 and Exhibit B-9, BCUC IR 1.24.2

- 2.1 With respect to the expanded Table 8-10 in the first referenced exhibit, please provide FEU's reasons explicitly for preferring the three-year RSDA phase-in period to the longer phase-in periods shown in the table.

Response:

The FEU analyzed three phase-in options for FEI: a full transition to amalgamated rates in 2014; a three-year phase-in option that would fully transition FEI customers to amalgamated rates by 2017; and a five-year phase-in option that would transition customers to amalgamated rates by 2019. The FEU discussed the pros and cons of each of these options on pages 169 to 171 of the Application. In summary, the FEU proposed the three-year RSDA phase-in option as it extends the transition of FEI customers to amalgamated rates over a reasonable amount of time while mitigating the initial rate impact in 2014 to a reasonable degree. The other options considered do not strike the same balance. Similarly, the 10-year phase-in option included in response to CEC IR 1.18.4 extends the transition period, but does not materially reduce the initial bill increase in 2014.

While the FEU have proposed the 3-year phase-in option, the FEU are open to implementing alternative phase-in scenarios, such as the five-year phase-in option.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy Inc. Fort Nelson Service Area ("FEFN" or "Fort Nelson") Common Rates, Amalgamation and Rate Design Application	Submission Date: July 23, 2012
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") Information Request ("IR") No. 2	Page 3

3.0 Reference: Exhibit B-8, BCOAPO IR 1.6.2

- 3.1 Has EES ever, in any work ever done with respect to regulated utilities, recommended regional rates for a gas distribution utility?

Response:

No. EES Consulting has never worked with a natural gas company where regional rates were appropriate for the circumstances of the utility, and therefore has never recommended either a change to or a continuation of regional rates.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy Inc. Fort Nelson Service Area ("FEFN" or "Fort Nelson") Common Rates, Amalgamation and Rate Design Application	Submission Date: July 23, 2012
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") Information Request ("IR") No. 2	Page 4

4.0 Reference: Exhibit B-9, BCUC IR 1.2.6 and IR 1.3.4

- 4.1 Is it a possibility that despite potential BCUC approval of the proposed amalgamation, the supporting shareholder resolution from each utility might not be forthcoming? If so, would the FEU attempt to recover amalgamation costs from ratepayers?

Response:

The shareholder and parent company of the FEU is supportive of the application put forward by the FEU to the BCUC. Therefore, the supporting shareholder resolution from each utility would be approved. However, should a decision by the BCUC be different than the proposed amalgamation, the decision would need to be reviewed by the shareholder prior to approving the shareholder resolution.

The FEU believe that the amalgamation costs are reasonable and prudent and would be recovered from ratepayers. Please refer to the response to BCUC IR 1.2.6.



FortisBC Energy Utilities ("FEU"), comprised of FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), FortisBC Energy (Whistler) Inc. ("FEW"), and FortisBC Energy Inc. Fort Nelson Service Area ("FEFN" or "Fort Nelson") Common Rates, Amalgamation and Rate Design Application	Submission Date: July 23, 2012
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") Information Request ("IR") No. 2	Page 5

5.0 Reference: Exhibit B-9, BCUC IR 1.43.1

The referenced response states, in respect of recovering customer choice costs, the following:

Consistent with current and past practice, the FEU expect all Customer Choice communication costs to be recovered from all eligible customers.

- 5.1 Do the "eligible customers" referred to above refer to the eligible customers only in the areas to which customer choice would be extended, or does it refer to all eligible customers including those who currently have the option of the customer choice offering?

Response:

In this instance and in the context of an amalgamated entity, the FEU was referring to all eligible customers, including those who currently have access to the Customer Choice program, as well as those in the FEVI, FEW and FEFN service areas. Ideally, any supplemental education necessary to introduce the program to new areas should dovetail with the recurring messaging that currently takes place. However, the FEU have not fully assessed specific communication requirements necessary to implement the service change, so cannot yet provide a definitive position on the costs required to introduce the program to the FEVI, FEW and FEFN customers. As indicated in BCUC IR 1.43.1, the FEU believe the customer education activities designed to introduce the offering into new areas are better addressed in a separate regulatory filing following a decision on Amalgamation.