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**Via Email**  
**Original via Mail**

British Columbia Utilities Commission  
6<sup>th</sup> Floor, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Energy Utilities (FEU)<sup>1</sup>**

**Applications for Reconsideration and Variance of Order G-26-13 Common Rates, Amalgamation, and Rate Design Decision (the Reconsideration Applications) – Phase Two**

**Rebuttal Evidence of the FEU**

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In accordance with the British Columbia Utilities Commission Order L-50-13 setting out the Amended Regulatory Timetable for the proceeding, enclosed for filing is the FEU's Rebuttal Evidence.

If further information is required, please contact the undersigned.

Sincerely,

**on behalf of the FORTISBC ENERGY UTILITIES**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Parties

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<sup>1</sup> Consisting of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.

**FortisBC Energy Utilities  
Common Rates, Amalgamation and Rate Design Application**

**RECONSIDERATION PHASE 2**

**Rebuttal Evidence of the  
FortisBC Energy Utilities**

**September 25, 2013**

1 **Q1: What is the purpose of this Rebuttal Evidence?**

2

3 A1: The purpose of this Rebuttal Evidence is to respond to the submissions of Mr. Randolph  
4 Robinson in Exhibits C4-2 and C4-4. In the view of the FortisBC Energy Utilities  
5 (FEU),<sup>1</sup> much of Mr. Robinson's submissions are in the nature of argument, rather than  
6 evidence. However, the FEU responds below to a number of claims of Mr. Robinson that  
7 are factually incorrect.

8

9 The FEU also rely on the other evidence in the present proceeding and the original  
10 proceeding and, in particular, the rebuttal evidence in the original proceeding which fully  
11 responded to Mr. Robinson's positions on cost accounting, shared services, and asset  
12 impairment and the economic viability of FEVI.

13

14 **Q2: Do the FEU have any rebuttal in response to the evidence filed by the Commercial  
15 Energy Consumers Association of British Columbia (CEC)?**

16

17 A2: The FEU have reviewed the evidence and IR responses filed by the CEC. The FEU will  
18 address any disagreement it has with the CEC in argument based on the evidence on the  
19 record.

20

21 **Q3: How is this evidence organized?**

22

23 A3: This Rebuttal Evidence is organized under the following topic headings:

24

- 25 1. Purpose of the FEU's Application.
- 26 2. Evidence in Phase One of Reconsideration.
- 27 3. History of FEVI.
- 28 4. Solutions.

29

## 30 **1.0 Purpose of the FEU's Application**

31

32 **Q3: What does Mr. Robinson say about the purpose of the FEU's Application?**

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<sup>1</sup> The FEU consists of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI) and FortisBC Energy (Whistler) Inc. (FEW).

1 A3: Mr. Robinson states that the FEU want “to eliminate an untenable financial position” and  
2 that “other matters included in the application, Common Rates and Rate Design were  
3 secondary and dependent on the approval of the amalgamation.” (Exhibit C4-2, p. 1.)  
4

5 **Q4: What is the FEU’s response to these statements?**  
6

7 A4: Mr. Robinson has mischaracterized the purpose of the FEU’s Application. The FEU  
8 have set out the reasons for their request to amalgamate and implement postage stamp  
9 rates in the original Application (Exhibit B-3 in the original proceeding) and throughout  
10 the proceeding. The FEU are seeking common rates on the principle of fairness to its  
11 customers and on the basis of the other benefits that will flow from amalgamation and  
12 common rates. The FEU are not seeking to “eliminate an untenable financial position”,  
13 and nor are the FEU - including FEVI - currently facing such a position. The FEU are  
14 recovering their cost of service and have no impaired assets. The FEVI credit rating  
15 reports filed in this proceeding indicate ratings which are currently investment grade, and  
16 do not indicate any “untenable financial position.” The Commission also routinely  
17 reviews extensive financial information on the FEU in revenue requirement and other  
18 proceedings, as well as the risks of the FEU in cost of capital proceedings. The  
19 Commission has not concluded in any of its decisions that any of the FEU face an  
20 untenable financial situation.  
21

## 22 **2.0 Evidence in Phase One of the Reconsideration Proceeding**

23

24 **Q5: What does Mr. Robinson state about the evidence in Phase One of the**  
25 **Reconsideration Proceeding?**  
26

27 A5: Mr. Robinson states: “During the Reconsideration - Phase One no new substantive  
28 evidence was raised. What was raised related to subsequent events concerning a possible  
29 new cash flow stream for FEU. This was subsequently deemed to be speculative and  
30 without any real merit to the decision to reconsider.” [Emphasis added.] (Exhibit C4-2,  
31 p. 1.)  
32

33 **Q6: Did the Commission make any determination on the evidence in Phase One?**  
34

35 A6: The Commission reviewed the Phase One evidence and determined that the  
36 reconsideration should proceed to Phase Two in Order G-100-13. No determination was

1 made that the evidence was speculative or without merit. Mr. Robinson's comments are  
2 merely his own thoughts on the Phase One evidence.

### 3 4 **3.0 History of FEVI**

5  
6 **Q7: What is Mr. Robinson's submission regarding the history of FEVI?**

7  
8 A7: Mr. Robinson states in Exhibit C4-2, pp. 1-2:

9  
10 "The fact as it stands today is that both Fortis BC Vancouver Island and  
11 Fortis BC Whistler are two utilities that have been created in the past on the  
12 expectation that there would develop a customer base that would sustain  
13 them. Clearly, as one reviews the history of Vancouver Island the customer  
14 base has not been achieved to sustain the financial viability as originally  
15 expected. Whistler is a recent case which does not have nearly the same  
16 timeline that Vancouver Island has had to meet the growth needed to  
17 become viable under current conditions. The current conditions being the  
18 loss of the subsidy and the demand to repay the government loans.

19  
20 These subsidies would not have had an expiry date if there wasn't an  
21 expectation that by the date the utility would be capable of continuing  
22 without a subsidy. The loans would not have been given had there not have  
23 been a plan submitted on how they would be repaid. All this leads to the  
24 conclusion that FEU took on the acquisition of these utilities with a plan that  
25 either failed to materialize or they planned to proceed to amalgamation so  
26 that the financial constraints could be managed through effectively  
27 continuing to subsidize Vancouver Island through a type of "cross-  
28 subsidization" from the larger utilities on the mainland and interior."

29  
30 **Q8: What evidence is Mr. Robinson relying on?**

31  
32 A8: Mr. Robinson does not indicate what sources he is using to ground his claims and appears  
33 to be speculating based on his understanding of the history of natural gas service on  
34 Vancouver Island.

35  
36 **Q9: Are Mr. Robinson's statements correct?**

37

1 A9: No, Mr. Robinson makes a number of incorrect statements. Each is responded to below.

- 2
- 3 • Mr. Robinson states that the “customer base [of FEVI] has not been achieved to
- 4 sustain the financial viability as originally expected.” FEVI’s customer base has
- 5 in fact been growing since its inception and the current customer base of
- 6 approximately 102,000 thousand is sufficient to sustain the financial viability of
- 7 the utility at this time. As contemplated by the Vancouver Island Natural Gas
- 8 Pipeline Agreement (Exhibit B-3-1, Appendix D-11, in the original proceeding),
- 9 FEVI has reduced the balance in the Revenue Deficiency Deferral Account
- 10 (RDDA) to zero, the Royalty Revenues have ceased and FEVI is recovering its
- 11 cost of service. FEVI has also accumulated a surplus in its Rate Stabilization
- 12 Deferral Account (RSDA) to help mitigate the near-term impact of the loss of the
- 13 Royalty Revenues.
- 14
- 15 • Mr. Robinson states that “Whistler is a recent case which does not have
- 16 nearly the same timeline that Vancouver Island has had to meet the growth
- 17 needed to become viable under current conditions. The current conditions
- 18 being the loss of the subsidy and the demand to repay the government
- 19 loans.” While FEW is challenged by its smaller and less diverse customer
- 20 base, FEW is recovering its cost of service. FEW has not received any
- 21 subsidies or government loans.
- 22
- 23 • Mr. Robinson states: “These subsidies would not have had an expiry date if
- 24 there wasn’t an expectation that by the date the utility would be capable of
- 25 continuing without a subsidy.” The Royalty Revenues have ceased in
- 26 accordance with their “expiry date” and FEVI is currently capable of
- 27 continuing without this subsidy. This would suggest that FEVI has
- 28 developed according to the original intent of the VINGPA.
- 29
- 30 • Mr. Robinson states: “The loans would not have been given had there not
- 31 have been a plan submitted on how they would be repaid.” The only loans
- 32 that have been provided to FEVI are the Canada and British Columbia
- 33 Repayable Contributions. The Canada Repayable Contribution of \$50
- 34 million will be fully repaid by the end of 2013, which is ahead of schedule.
- 35 FEVI anticipates that it will begin repaying the British Columbia Repayable
- 36 Contribution, in amounts of \$10,000,000 per year for two years and a final

1 payment of \$5,000,000 once the Canada Repayable Contribution has been  
2 fully repaid at the end of 2013.

- 3
- 4 • Mr. Robinson incorrectly concludes “that [the] FEU took on the acquisition  
5 of these utilities with a plan that either failed to materialize or they planned  
6 to proceed to amalgamation”. Mr. Robinson’s conclusion is speculative and  
7 based on the incorrect assumptions that the FEU have responded to above.
- 8

#### 9 **4.0 Solutions**

10

11 **Q11: Does Mr. Robinson believe that the FEU have proposed a lasting solution to the**  
12 **challenges faced by FEVI?**

13

14 A11: In his submission (Exhibit C4-2, p. 3), Mr. Robinson claims that amalgamation would  
15 provide only a temporary solution for the challenges faced by FEVI. He states:  
16 “Granting FEU the amalgamation of these utilities only relieves temporarily this financial  
17 consequence to a long-standing problem...” Mr. Robinson confirmed this view in  
18 response to BCUC IR 1.3.1 (Exhibit C4-4).

19

20 **Q12: Will amalgamation and postage stamp rates be only a temporary solution?**

21

22 A12: No, amalgamation and postage stamp rates would be a lasting solution to the challenges  
23 facing FEVI. As explained in the FEU’s original Application, FEVI has accumulated a  
24 positive balance in the RSDA which would provide a temporary solution to the cost  
25 pressures faced by FEVI. Amalgamation and postage stamp rates, on the other hand, are  
26 sought by the FEU to provide a lasting solution to the challenges faced by FEVI.  
27 Amalgamation would provide a broader and more diverse customer base over which to  
28 spread all the costs of the FEU and would alleviate the need for significant rate increases  
29 for FEVI customers, as discussed in section 4.3 of the FEU’s original Application  
30 (Exhibit B-3 in the original proceeding). A key benefit of amalgamation and postage  
31 stamp rates is greater rate stability for all customers over the long term.

32

33 **Q13: What does Mr. Robinson propose as alternate solutions?**

34

35 A13: Mr. Robinson has suggested using compressed or liquefied natural gas for BC Ferries or  
36 using compressed natural gas for vehicles on Vancouver Island.

37

1 **Q14: Have the FEU been pursuing these possibilities?**

2

3 A14: Yes, the FEU's efforts in pursuing these possibilities are well documented before the  
4 Commission as far back as the utilities' 2008 Long Term Resource Plan and numerous  
5 subsequent applications, including FEI's recent Application to Amend Rate Schedule 16.  
6 These opportunities are challenged within the FEVI service territory due to FEVI's  
7 higher delivery rates. These opportunities are also not large enough to generate sufficient  
8 revenue to solve the challenges facing FEVI. See the FEU's response to BCUC IR 1.7.3  
9 in this proceeding.

10

11 **5.0 Conclusion**

12

13 **Q16: Does this conclude the FEU's response to Mr. Robinson's evidence?**

14

15 A16: Yes.