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June 29, 2015

Via Email
Original via Mail

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. (FEI)

**Application for Reconsideration of Order G-187-14 Amend the Balancing Gas
Charges for Rate Schedules 23, 25, 26 and 27 (the Reconsideration Application)
FEI Final Submission**

On May 20, 2015, FEI filed the Reconsideration Application as referenced above. In accordance with British Columbia Utilities Commission Order G-94-15 setting out the Regulatory Timetable for the review of the Reconsideration Application, FEI respectfully submits its Written Final Submissions.

If further information is required, please contact Michelle Carman, Manager, Cost of Service at (604) 592-7458.

Sincerely,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachments

cc (email only): Registered Parties

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473 (the “*Act*”)**

and

An Application by FortisBC Energy Inc. (FEI)

For Reconsideration and Variance of British Columbia Utilities Commission

**Order G-187-14 in the Matter of FEI’s Application to Amend the Balancing Gas Charges
for Rate Schedules 23, 25, 26 and 27**

SUBMISSIONS OF

FORTISBC ENERGY INC.

June 29, 2015

A. INTRODUCTION

1. On May 20, 2015, pursuant to section 99 of the *Utilities Commission Act*, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (the Commission or BCUC) to reconsider one directive from Order G-187-14 (together with the accompanying decision, referred to as the Balancing Gas Decision). The Balancing Gas Decision denied FEI's request to amend the charge for FEI's monthly balancing gas transportation service under Rate Schedules 23, 25, 26, and 27 (the Reconsideration or the Reconsideration Application).
2. The directive in Order G-187-14 subject to the Reconsideration requires that FEI file a new rate design application for its monthly balancing gas transportation service (the Monthly Balancing Gas Rate Design or Monthly Balancing Gas Rate Design Application) by December 2015. The directive also indicated that the review of the Monthly Balancing Gas Rate Design Application "be a separate process from that of the broader rate design application" that FEI was already required to file by December 31, 2016 pursuant to Order G-21-14 (the Comprehensive Rate Design or Comprehensive Rate Design Application). The ground for FEI's reconsideration request is that the requirement of FEI to file a Monthly Balancing Rate Design Application earlier than the Comprehensive Rate Design Application raises a new principle that was not canvassed in the proceeding leading to the Balancing Gas Decision (Original Proceeding). Alternatively, there is just cause to reconsider the Balancing Gas Decision.
3. In the Reconsideration Application and as reflected in the Draft Order, FEI seeks to extend the filing date of the Monthly Balancing Gas Rate Design Application to December 31, 2016 and to have the option of filing the Monthly Balancing Gas Rate Design as part of the Comprehensive Rate Design.¹ As summarized in the Reconsideration Application, FEI submits that coordination for preparing, filing and reviewing the Monthly Balancing Rate Design Application should be in alignment with the Comprehensive Rate Design Application for the following reasons:
 - a. Interrelationship with the Comprehensive Rate Design Application: The rate design for the Monthly Balancing Gas service is interrelated with the Comprehensive Rate Design and, as such, should be considered in the context of other rate design components or

¹ See also Exhibit B-2, BCUC IR 1.3.1.

options for FEI's services, including whether Monthly Balancing Gas service should continue, be expanded to other rate schedules or be replaced by daily Balancing Gas service.

- b. Efficiency and Avoidance of Wasted Expenditures: Preparing and reviewing the Monthly Balancing Gas Rate Design Application at the same time as the Comprehensive Rate Design Application will allow for a more efficient use of FEI's internal resources and provide a more efficient and wholesome consultation process with stakeholders. Further, given the interrelationship between the Monthly Balancing Gas Rate Design Application and the Comprehensive Rate Design Application, proceeding with the two applications together will eliminate the risk of wasted expenditures due to duplicated effort and the potential need to undo or modify the Monthly Balancing Gas rate design as a result of the outcome of the Comprehensive Rate Design Application.
 - c. No Material Harm from One Year Delay: As directed by the Commission in the Balancing Gas Application, FEI will continue to make use of the existing tariff provisions to encourage compliance with the tariff and to minimize potential negative consequences for natural gas core customers.
4. In Order G-94-15, the Commission determined that FEI established a *prima facie* case for reconsideration and that the Reconsideration Application should proceed to Phase 2 of the reconsideration process on the regulatory timetable set forth by the Commission.² Following this determination, the Commercial Energy Consumers Association of B.C. (CEC) and the B.C. Old Age Pensioners Organization et al (BCOAPO) registered as interveners in the proceeding. FEI responded to Information Requests from the Commission and interveners on June 25, 2015.
 5. FEI submits that based on the evidence presented in the Reconsideration Application, FEI's further explanations in responses to Information Requests from the Commission and interveners, and the following submission, the Commission should grant the Reconsideration on the merits.
 6. The remainder of these submissions follow the structure of the Reconsideration Application.

² Order G-94-15.

B. A NEW PRINCIPLE ARISES AS A RESULT OF THE BALANCING GAS DECISION

7. As set out in the Commission's reconsideration guidelines, after the first phase of the reconsideration process, the Commission can consider several criteria to determine whether or not a reasonable basis exists for allowing reconsideration, including that a new principle has arisen as a result of the decision. The Commission also has the discretion to reconsider its decision if it finds that there is just cause to do so.³ As discussed in the Reconsideration Application, FEI submits that a new principle has arisen as a result of the Balancing Gas Decision, which provides a reasonable basis for the Reconsideration. Alternatively, FEI submits that the Commission should exercise its discretion to reconsider based on just cause.
8. The new principle is that the Balancing Gas Decision requires that the rate design for FEI's monthly balancing gas transportation service be separate and prior to a comprehensive rate design that has already been required of FEI subsequent to the amalgamation of FortisBC gas utilities. This principle was not a subject that the Commission and the parties in the Original Proceeding examined, given that the Original Proceeding was limited to one narrow issue: whether it is appropriate for FEI to increase its charge for the monthly balancing gas transportation service by \$0.10 to address market behavior.⁴ Although FEI expressed that broader service offering and rate design issues should be addressed in the context of a full rate design application, the issue of whether it was reasonable to have the rate design for the monthly balancing gas transportation service separate and prior to a comprehensive rate design for FEI's service offerings was not considered in the Original Proceeding.⁵
9. Because FEI did not have the opportunity or reason to address the interrelationship between the Monthly Balanced Transportation Service and the contemplated Comprehensive Rate Design in the Original Proceeding, FEI submits that the Commission should reconsider the reasonableness of the direction that orders FEI to prepare and review the Monthly Balancing Gas Rate Design separately from, and prior to, the Comprehensive Rate Design in light of evidence and submissions of FEI.

³ Exhibit B-1, at pages 3-4.

⁴ Exhibit B-4, CEC IR 1.1.1.

⁵ Exhibit B-1, at page 1, citing Original Proceeding, Exhibit B-5, BCUC IR 2.4.1.

C. THE MOST REASONABLE APPROACH IS TO COORDINATE THE TWO RATE DESIGN APPLICATIONS

10. FEI submits that, as articulated in the Reconsideration Application and supported by the evidence in this proceeding, the most reasonable approach is to coordinate the preparation, filing, and review of the Monthly Balancing Gas Rate Design Application with the Comprehensive Rate Design Application because of the interrelationship between the two rate design applications and to avoid the potential for wasted resources. Further, extending the review of the Monthly Balancing Gas Rate Design Application for one year has no or little negative impact on FEI's core customers. These points were discussed in section 4 of Exhibit B-1 and are further explained below.

The Two Rate Design Applications Are Interrelated

11. It is reasonable to coordinate the preparation, filing, and review of the two rate design applications because the Monthly Balancing Gas Rate Design would need to be considered in the context of the Comprehensive Rate Design Application.⁶ While the Monthly Balancing Gas Rate Design Application will focus on review, identification, and testing of options and alternatives for the monthly balancing gas transportation service and development of proposals for such service,⁷ the Comprehensive Rate Design Application is planned to review and consider a broader range of issues, such as customer segmentation in light of amalgamation, the adoption of FEI's rate schedules, the allocations of costs and benefits of assets and programs among customers, all transportation and interruptible services and related rate schedules, and large volume and industrial customer rates.⁸ Thus, not only is the evaluation of the monthly balancing gas transportation service within the scope of, and a part of the review of, the Comprehensive Rate Design, the decisions and resolutions from the Comprehensive Rate Design could impact the Monthly Balancing Gas Rate Design.⁹ For instance, FEI will consider and decide, in the context of the Comprehensive Rate Design and in consideration of FEI's overall transportation service offerings, whether the monthly balancing gas transportation service should continue.¹⁰

12. As reflected in the Draft Order, FEI provided an option for filing the Monthly Balancing Gas Rate Design Application as part of or along with the Comprehensive Rate Design Application. FEI submits

⁶ Exhibit B-4, CEC IR 1.2.2.

⁷ Exhibit B-4, CEC IR 1.3.1.

⁸ Exhibit B-2, BCUC IR 1.5.1.

⁹ Exhibit B-2, BCUC IR 1.6.1.

¹⁰ Exhibit B-4, CEC IR 1.2.2.

that it is preferable and more practical to have the Monthly Balancing Gas Rate Design Application as a component of the Comprehensive Rate Design Application.¹¹ In response to BCUC IR 1.3.1, FEI provided the pros and cons of filing the Monthly Gas Rate Design separately or in combination with the Comprehensive Rate Design. In summary, a single application would be the most effective option to ensure the Monthly Balancing Gas Rate Design is consistent with the overall rate design for all customers and, in particular, for all transportation service customers. Otherwise, the review process and decision pertaining to the Monthly Balancing Gas Rate Design would have to lag the review process and decision pertaining to the Comprehensive Rate Design.¹²

Efficiency and Avoidance of Wasted Expenditures

13. As discussed in the Reconsideration Application, coordinating the preparation, filing, and review of the two rate design applications would avoid the potential for wasted expenditures.¹³

14. The cost of the three potential options for the Monthly Balancing Gas Rate Design are as follows:

- a. an estimated \$125,000 to \$150,000 (including expenses for contract resources and application costs) for a stand-alone Monthly Balancing Gas Rate Design Application if such application is to be filed in December 2015 as directed by the Commission in the Balancing Gas Decision;¹⁴
- b. an estimated cost of \$25,000 to \$50,000 if the Monthly Balancing Gas Rate Design Application is filed along with the Comprehensive Rate Design Application, but as a separate application;¹⁵ and
- c. no incremental costs if the Monthly Balancing Gas Rate Design is reviewed as a component of the Comprehensive Rate Design Application.¹⁶

15. Although the amounts in items (a) and (b) may not be viewed as large, the costs would be borne by all FEI's core customers,¹⁷ and may be incurred for a service that could be discontinued after the

¹¹ Exhibit B-2, BCUC IR 1.3.1.

¹² Exhibit B-1, at page 10; Exhibit B-2, BCUC IR 1.3.1.

¹³ Exhibit B-1, at pages 10-11.

¹⁴ Exhibit B-4, CEC IR 1.3.3, 1.4.1.

¹⁵ Exhibit B-4, CEC IR 1.4.7.

¹⁶ Exhibit B-1, at page 11; Exhibit B-4, CEC IR 1.3.4.

¹⁷ Exhibit B-3, BCOAPO IR 1.1.4.

review and decision of the Comprehensive Rate Design Application. The resources and time spent on the stand-alone Monthly Balancing Gas Rate Design Application may therefore be wasted.¹⁸ For this reason, option (c), where the Monthly Balancing Gas Rate Design is reviewed as a component of the Comprehensive Rate Design Application, is preferable.

16. As explained in Exhibit B-1, at page 11, there may also be a duplication or waste of effort with regard to implementation of changes in the Monthly Balancing Gas Rate Design that may only be in place for a limited time. For example, there may be required changes to FEI's transportation rate schedules (and the terms and conditions within each rate schedule) under a separate Monthly Balancing Rate Design. However, the transportation rate schedules (and terms and conditions within each rate schedule) will be subject to review and revision again as part of the Comprehensive Rate Design. The potential for multiple changes to the affected transportation rate schedules that would result from two applications may cause undue customer confusion.¹⁹
17. A topic explored in the Information Requests was whether a coordinated rate design review process is efficient for some stakeholders only interested in the monthly balancing gas transportation service. As explained in Exhibit B-2, response to BCUC IR 1.3.5, if a stakeholder is only interested in rate design for the monthly balancing gas transportation service, such a stakeholder may participate in the review of the Comprehensive Rate Design with minimal additional effort by way of the following:
 - A separate section of the application (with supporting appendices if necessary) pertaining to ancillary services (including monthly balancing gas transportation service) that is easy and sufficient for the transportation service customers to review without the need for reviewing the entire Comprehensive Rate Design Application;
 - Well-scoped and organized workshops that focus on pre-defined issues within the general categories of the Comprehensive Rate Design, such as cost of service allocation, customer segmentation, rate design and terms and conditions of service; and,
 - Categorization of information requests by topics (e.g., ancillary services) such that any stakeholder could review and filter all questions by high level categories.

¹⁸ Exhibit B-4, CEC IR 1.4.8.

¹⁹ Exhibit B-1, at page 10.

18. Furthermore, being a part of the Comprehensive Rate Design Application will give stakeholders only interested in the Monthly Balancing Rate Design Application an opportunity to voice their opinions on other rate design considerations that may affect monthly balancing gas transportation services.²⁰

One Year Extension Has No or Limited Impact on Transportation Service and on Core Natural Gas Customers

19. In the Balancing Gas Decision, the Commission stated that “further review is needed to set an appropriate [b]alancing [g]as charge including the pricing structure for [m]onthly [b]alancing service that is fair to the transportation customers, core customers, and other stakeholders while encouraging the gas supply operations are efficiently and effectively managed.”²¹ FEI submits that granting the Reconsideration and thus allowing a one-year extension to consider and review the Monthly Balancing Gas Rate Design will better achieve the Commission’s cited intent.

20. FEI is currently reviewing all aspects of its tariff, including rate schedules for transportation services, so that any changes to these rate schedules can be evaluated as part of FEI’s Comprehensive Rate Design to be filed in December 2016.²² As explained above, to coordinate the preparation and review of the Monthly Balancing Gas Rate Design with the Comprehensive Rate Design will allow FEI to examine the balancing gas transportation service in a broader context and in consideration of all FEI transportation services, such as determining whether to continue the monthly balancing gas transportation service and considering a price structure for such service (if it is determined to be continued) that is fair to the transportation customers and core customers.

21. While the one year extension to consider and review the Monthly Balancing Gas Rate Design in the context of the Comprehensive Rate Design is beneficial as explained in the Reconsideration Application and above, it will have no or little impact on FEI’s balancing gas transportation service and core customers. The monthly balancing gas transportation service will continue, and FEI will continue to frequently monitor imbalances throughout the month and at month end to ensure inventory levels of monthly and daily balanced customers are managed and maintained within reasonable levels, and will contact customers for adjustment or utilize the existing provisions in the tariff to ensure compliance where appropriate.²³ For instance, for the period of April 2014 to the

²⁰ Exhibit B-2, BCUC IR 1.3.5.

²¹ Balancing Gas Decision, at page 21.

²² Exhibit B-2, BCUC IR 1.1.2.

²³ Exhibit B-2, BCUC IR 1.1.1.

present, FEI contacted Shipper Agents on a monthly basis to make requests for adjustments in nomination to reduce imbalances, even though FEI has not had the need to use the existing tools available under the tariff to enforce compliance. The inventory levels of the Shipper Agents have been maintained within reasonable limits.²⁴

22. The potential impact from the monthly balancing gas transportation service on the core natural gas customers is even less given the fact that in recent months the monthly balancing gas volumes have not been significant, even though FEI cannot opine definitely whether there is a trend or not.²⁵ As evidenced by the monthly balancing gas quantities calculated as a percentage as compared to the total load, the percentage from January to April 2015 is 0.24%, compared to 1.12% in 2014. For historical context, the percentages of monthly balancing gas relative to total load for the years 2012 and 2013 were 1.91% and 1.92% respectively.

D. CONCLUSION

23. FEI submits that the Balancing Gas Decision has resulted in a new principle that was not examined in the Original Proceeding, namely, that FEI should file a Monthly Balancing Rate Design Application separate from and earlier than the Comprehensive Rate Design Application. For the reasons and evidence in the Reconsideration Application, the responses to Information Requests and these submissions, FEI respectfully submits that the Reconsideration Application should be granted. FEI therefore respectfully requests that Order G-187-14 be amended as set out in the draft order attached to the Reconsideration Application.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

Dated: June 29, 2015

[original signed by Song Hill]
Song Hill
Counsel for FortisBC Energy Inc.

²⁴ Exhibit B-4, BCUC IR 1.1.4.

²⁵ Exhibit B-2, BCUC IR 1.1.3 and 1.6.1(ii).