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By Electronic Filing

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

Attention: Erica M. Hamilton
Commission Secretary and Director

Dear Sirs/Mesdames:

Re: Project No. 3698850
FortisBC Energy Inc.
Application for Approval of Biomethane Energy Recovery Charge (BERC) Methodology (the Application)

Further to the Streamlined Review Process which took place on February 3, 2016, we enclose for filing the electronic version of the Final Argument of FortisBC Energy Inc.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[original signed by Christopher R. Bystrom]

Christopher R. Bystrom

CB/ta
Enclosure

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT,
R.S.B.C. 1996, CHAPTER 473

and

APPLICATION FOR APPROVAL OF BIOMETHANE ENERGY RECOVERY

CHARGE (BERC) RATE METHODOLOGY

FINAL SUBMISSION OF
FORTISBC ENERGY INC.

FEBRUARY 4, 2016

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PART ONE: INTRODUCTION

1. FortisBC Energy Inc. (FEI) files this final argument as directed by the Commission Panel at the streamlined review process (SRP) held on February 3, 2016. As set out in the Application, FEI is seeking the following approvals:

(a) Approval of a Short Term Contract Biomethane Energy Recovery Charge (BERC) rate at the Commission approved January 1st Commodity Cost Recovery Charge (CCRA rate) per GJ, plus the current Carbon Tax applicable to natural gas customers, plus a premium of $7.00 per GJ, applicable to all affected biomethane rate schedules within the Mainland, Vancouver Island and Whistler Service Areas.

(b) Approval that the Long Term Contract BERC rate be set at a $1.00 per GJ discount to the Short Term Contract rate;

(c) Approval to discontinue the quarterly BERC and Biomethane Variance Account (BVA) report and replace it with a single annual report in conjunction with the Fourth Quarter Commodity Cost Reconciliation Account (CCRA) & Midstream Cost Reconciliation Account (MCRA) report;

(d) FEI may apply to transfer unsold biomethane supply that is greater than 18 months in age and/or 250,000 GJs in the BVA to the MCRA at the prevailing CCRA rate on January 1 each year; and,

(e) Approval to amortize the forecast December 31 balance in the BVA, net of the transfer of unsold inventory and remaining supply costs, through the delivery rates of all non-bypass customers effective January 1 of the subsequent year.

2. FEI adds that it is seeking approval of the changes to its General Terms and Conditions (GT&Cs) filed as Attachment 4.1.1 of Exhibit B-5, subject to changes necessary to

include reference to Rate Schedule 11B and to specify that the CCRA rate will be as determined on January 1 of the year consistent with the approvals sought above. If the Application is approved, FEI proposes to file revised GT&Cs in compliance with the Commission's directions in its decision. (Draft Transcript, pp. 177, 198-199)

3. The remainder of this submission will first address why there needs to be a change to the BERC rate. Second, it will address the basis for FEI's proposed BERC rate and $1 discount for long-term contract customers, and the reasons for not preferring alternatives to these proposals. The submission will then briefly comment on the proposed transfer mechanism and reporting, as well as customer education and awareness spending.

PART TWO: THERE NEEDS TO BE A CHANGE TO THE BERC RATE

4. First, the evidence is clear that there needs to be a change to the BERC rate. As discussed below, the evidence shows that the BERC rate has increased to a point that the premium of biomethane over the natural gas commodity rate is discouraging participation in the biomethane program.

5. As seen in Figure 3-1 of the Application, the premium of biomethane over natural gas commodity rate (the CCRA rate) has increased for two primary reasons. First, the cost of natural gas has been persistently low and the CCRA rate decreased to a little over $2/GJ by July 2015. Second, the cost of biomethane saw a significant change in April 2014 and a further increase in January 2015. The result has been a steady increase in the premium for biomethane over the CCRA rate.

6. As shown in Figure 4-1 of the Application, there has been a clear reduction in residential net monthly additions since the increase in the BERC rate in 2014. Prior to the change FEI was able to add customers to the program at a relatively consistent rate. However, following the increase in price in the BERC rate, net customer additions have been consistently lower and even negative in many months. As seen in Figures 4-2 and 4-3 of the Application,

there has been both a reduction in monthly additions to the program and an increase in monthly customers that drop out of the program, resulting in negative additions.

7. As shown in Figures 4-4 to 4-6 of the Application, the evidence is similar for small commercial customers. Small commercial customers have seen both a decrease in customer additions and an increase in customer drops since the increase to the BERC rate in 2014.

8. With respect to larger customers, FEI has found it increasingly difficult to engage in meaningful discussions with customers interested in large volume purchases, such as UBC, at the current BERC rate (Application, p. 1).

9. Ultimately, the reduced voluntary participation in the biomethane program increases the balance in the BVA that may need to be recovered from non-biomethane customers (Application, p. 42).

10. It was suggested during the SRP that the decrease in customer education and awareness spending may actually be the more powerful cause of the decrease in participation in the biomethane program (Draft Transcript, p. 133). It is submitted that this cannot be correct, and that the evidence shows that the predominant factor must be the increase in the premium of the BERC over the CCRA rate:

(a) The decrease in customer and education spending by less than half (Exhibit B-5, BCUC IR 1.9.1) cannot reasonably explain the fairly sudden drop in net customer additions experienced in April 2014, nor the continued decline in net customer additions experienced throughout 2015 during which time customer education and awareness spending was constant (Exhibit B-10, slide 8).

(b) The biomethane program is a voluntary program and customers are sensitive to price. In FEI's 2012 market research, price was identified as the primary barrier to participating in the biomethane program. The drop off in participation at premiums above $7.00/GJ is generally consistent with FEI's initial market research that the average residential customer would be willing to pay about an $8.00/GJ premium (Application, pp. 34-35).

(c) To understand why customers have been leaving the program, FEI conducted an exit survey of its customers in 2014. While the number of respondents was low, higher price was the most common reason given by customers for exiting the program (Application, p. 31). This is consistent with the experience of Madison Gas and Electric, which experienced declining participation with an increase in the premium of its green offering (Application, p. 39).

(d) There is a statistically significant relationship between an increase in price and decrease in participation. The impact associated with a unit increase of $1 per GJ in the BERC rate is a reduction of approximately 45 customer additions (Exhibit B-5, BCUC IR 1.23.2). Analysis also shows that an increase in premium leads to customers choosing lower blends of biomethane, demonstrating again that customers are sensitive to price (Exhibit B-5, BCUC IR 2.47.9).

(e) Consistent with the increase in price causing the decrease in participation, the churn rate in biomethane customers in fact increased over 2014 and 2015. This was made clear when the churn rate percentage was expanded to a decimal place, instead of rounding to the nearest percentage (Exhibit B-12).

(f) FEI's inability to attract long-term, high-volume customers is due to the BERC rate being too high, not due to customer education and awareness spending (Application, Appendix D).

(g) The premium of biomethane over the CCRA rate is well above the premium of green energy programs in other jurisdictions, consistent with price being a cause of declining participation (Application, pp. 35-39).

11. It is submitted that the relationship between price and participation in the biomethane program is incontrovertible. While the decrease in customer education and awareness spending will have contributed to the decrease in customer participation in the program, the extent and continuing nature of decreasing program participation over the past two years points to the increasing premium of biomethane over the CCRA rate as the predominant cause.

12. In FEI's submission, the evidence is clear that the price of the BERC rate has reached a point that it is discouraging participation in the biomethane program. In particular, at the current price, FEI will likely not be able to attract high-volume customers. The current BERC rate will therefore not result in the maximization of potential future revenue from voluntary customers.

13. Order G-201-13 (the 2013 Biomethane Decision) set the current methodology for setting the BERC rate. At p. 70, the 2013 Biomethane Decisions states: "The Panel acknowledges that the arithmetic rate setting process may result in a BERC rate that is higher than the rate that the market can bear…" At p. 72, the 2013 Biomethane Decision goes on to state:

> In this circumstance, the Panel is of the view that it may be appropriate to set the BERC at a lower rate, and recover the difference between the BERC and the fully allocated costs of acquiring the biomethane through the Biomethane Premium deferral account previously discussed. This strategy may enable FEI to maximize the revenues from the Biomethane Program.

14. The Commission went on to discuss that there was no evidence in that proceeding what rate the market will bear and issued the following direction (at p. 72):

> …in the event FEI considers it necessary to set a lower BERC rate than would be set using the BERC rate setting methodology which includes all costs FEI is directed to include in this Decision, FEI is directed to bring before the Commission an application for approval of the lower BERC rate.

15. In FEI's submission, the evidence is clear that the BERC rate is now higher than what the market can bear and that it should be reduced as contemplated in the 2013 Biomethane Decision.

PART THREE: FEI'S PROPOSED BERC RATE

16. In bringing forward its proposal for a change to the BERC rate, FEI has sought to minimize changes to the biomethane program as approved in the 2013 Biomethane Decision. FEI is not proposing any changes to the costs that are recorded in the BVA, nor changes to the voluntary nature of the program or indeed any changes to the existing Biomethane Rate Schedules except for the price of the BERC rate and minor changes to the GT&CS to provide for a long-term service option (Exhibit B-5, Attachment 4.1.1).

17. FEI has also sought to abide by the principles coming out of the 2013 biomethane program as much as possible. Specifically, FEI is seeking approval of a market-based BERC rate that will recover the costs of the program from voluntary customers to the extent possible in order to minimize the rate impact on non-biomethane customers. FEI has therefore proposed a BERC rate that it believes is neither too high, which would discourage participation, nor too low, which would not maximize the potential revenue from voluntary customers.

A. Short Term Contract

18. First, FEI is seeking approval of a Short Term Contract BERC rate at a $7 premium over the Commission approved January 1st CCRA rate, plus the current Carbon Tax applicable to natural gas customers. This short-term contract BERC rate would be used for all of FEI's existing biomethane rate schedules. There would be no new process necessary to convert existing customers to the new rate (Exhibit B-5, BCUC IR 1.25).

19. In FEI's submission, there is convincing evidence that a 7-dollar premium represents the appropriate premium for the BERC rate.

(a) The biomethane program experienced relatively stable growth at a 7 dollar premium as shown in section 4 of the Application. This is the most convincing evidence on the record. The biomethane program has now been in operation for a number of years which has created a historical record of the price the market in BC is willing to pay for biomethane. It is a fact that the program had relatively stable growth at a $7 dollar premium. As soon at the premium went higher, there was a substantial decrease in net additions. This is strong evidence that the biomethane program can return to more stable growth with a $7 dollar premium.

(b) FEI's initial research based on surveys showed that residential customers would most likely only be willing to pay about six dollars a month which translates into about an eight dollar premium over conventional natural gas for the average residential customer (Application, pp. 34-35). However, actual experience has shown that an eight dollar premium resulted in a clear increase in customer drops as shown in Figure 4-3 of the Application. It is submitted that while the actual experience of the program is superior evidence to the results of the customer survey information, the customer survey information confirms that a $7 premium is in the right range and not too high.

(c) When looking at top green energy programs of other utilities, the vast majority of top green programs have a premium well below $7 dollars, while the average premium in Canadian dollars is $6.53 (Application, p. 38; BCUC IR 1.20.1). While these other green programs are not directly comparable, the conclusion to be drawn is that a $7 premium is on the high end of the range for a successful green energy program. This indicates that a $7 premium is not too low.

20. Overall, FEI's actual experience with the program, the customer survey information and reference to top performing programs of other utilities suggests that a $7 dollar premium is neither too high, nor too low. In short, based on the evidence available, a $7

dollar premium appears to be the highest premium that FEI can charge while maintaining stable program growth.

B. Long Term Contract

21. Turning to the second main component of the proposal, FEI is seeking approval of a long-term contract rate set at a $1.00 per GJ discount to the Short Term Contract rate. The proposed changes to FEI's General Terms and Conditions to provide for this rate are set out in Exhibit B-5, Attachment 4.1.1. FEI would negotiate each long-term contract and file it for approval with the Commission as a tariff supplement (Exhibit B-5, BCUC IR 1.26.1).

22. The purpose of the Long Term Contract offering is to provide price certainty for the customer and demand certainty for FEI. The price would be set at a $1 discount to the Short Term Contract rate applicable at the time, which would be subject to inflation but would not vary with changes to the CCRA rate or the BERC rate. The price would therefore be stable over the life of the contract, providing the certainty required for customers making a long-term commitment (BCUC IR 1.26.2).

23. The $1.00 discount from the Short-Term contract rate is justified by the benefits for FEI and its non-biomethane customers. As stated in the Application, a long-term contract provides long-term revenue certainty, a more predictable load throughout the year, and in addition, marketing efforts are no longer required to the same extent for this customer group. Most importantly, the assurance of revenue from a voluntary customer reduces risk for non-biomethane customers because it avoids transfer of unsold biomethane to the MCRA. Long-term biomethane sales contracts also better match the long-term nature of the biomethane supply contracts which reduces the challenge of balancing biomethane and as such, reduces the potential costs to non-biomethane customers (Application, p. 46).

24. FEI's evidence is that the proposed long-term rate provides a burner tip price point at about $10.00 per GJ that is economic for long term customers (BCSEA 1.4.7.1). In particular, the $1 discount puts the proposed price in the economic range indicated by UBC and

by CanGaz, as shown in their letters filed in Appendix D to the Application (CEC IR 1.18.1). The long-term contract rate is therefore expected to allow FEI to attract the type of long-term customers that will maximize revenues from voluntary customers and minimize the rate impacts on non-biomethane customers.

25. To provide information on what FEI's envisions for a long-term tariff supplement, FEI has set the key terms of what would be included in a long term contract in Table 7-1 of the Application and filed an outline of a long-term contract with its responses to the Commission's technical questions in Exhibit B-9. As discussed at the SRP, however, FEI is only seeking approval of the long-term contract rate, and not seeking approval of the other potential terms of the long-term contract discussed in the proceeding (Draft Transcript, p. 177).

26. Approving only the long-term contract rate is a beneficial way to proceed in this case. This approach provides flexibility for FEI to negotiate terms with potential customers, while ensuring that long term customers will all be charged the same price for biomethane, thereby avoiding differential treatment on the key term of the contract. FEI has yet to negotiate the terms of long-term biomethane contract and as such it is difficult for FEI to foresee the potential service terms and conditions that customers may require and FEI can agree to. As discussed by Mr. Wolfe, FEI is concerned that being prescriptive about the terms of a long-term contract could exclude potential customers prematurely when FEI is trying to develop this aspect of the biomethane program. For instance, specifying a hard limit on the amount of volume or length of term may exclude customers that would otherwise have been willing to commit to a long-term contract. Leaving flexibility to FEI at this time would allow FEI to maximize the potential for long-term deals with customers for the sale of biomethane, subject to approval by the Commission. (Draft Transcript, p. 175-181 and 186-187)

27. It is submitted, that FEI's proposed short and long-term BERC rates will therefore address the current challenges of the program, by lowering the BERC to a market-based rate to maximize customer participation and attract long-term high volume customers. In FEI's

submission, FEI's proposed BERC rate methodology is just and reasonable and should be approved.

C. Alternatives

28. Alternative rate structures were considered by FEI in its Application and additional options were posed to FEI in BCUC IR 1.19. While FEI relies on its Application, responses to information requests, and testimony at the SRP to address concerns with particular options, for the purpose of this submission FEI will address the alternatives in three categories.

29. First, there are a number of options, such a block-based rate, auction, and a universal green portfolio, that would represent a radical restructuring of the biomethane program. In FEI's submission, these options go well beyond the types of changes that are required to address the current challenges to the program and would require significantly more time and money to properly investigate and implement. FEI submits that given the regulatory energy invested in setting up the current program, and that the current challenges to the program can be addressed in a much simpler manner, it is unnecessary and premature to consider such radical restructuring. It is far more reasonable to fine-tune the biomethane program in response to the current challenges, rather than revise it entirely. FEI therefore submits that the Commission should reject these types of options.

30. Second, there are some alternatives posed to FEI in BCUC IR 1.19 that essentially include some kind of discount for higher volume customers. This includes providing higher discounts by rate class, by percentage blend or by higher volume consumed, without any long-term commitment (Exhibit B-5, Attachment 19.1). FEI sees various challenges with these options, in terms of fairness amongst and between rate schedules, complexity in communication and administration with respect to the options (Exhibit B-5, Attachment 19.1; Exhibit B-9, BCUC IR 2.46.1 to 2..46.10). FEI does not believe that the benefits of these alternative options will outweigh the extra costs of implementation (including system changes

and education and awareness spending) and the potential reduction in recoveries from customers. Compared to the various options put forward in BCUC IR 1.19, FEI believes that its proposal will perform better (Draft Transcript, p. 161) and that its option offers a better chance to recover more costs from customers (Exhibit B-9, BCUC IR 2.46.10).

31. Third, the potential option of a long-term discount rate for lower volume customers was suggested at the SRP (Draft Transcript, p. 73). As explained by Mr. Wolfe, introducing this option would add complexity to the program and entering into a long-term contract would be a more significant decision for a customer that would therefore take more time and effort in terms of customer engagement (Draft Transcript, pp. 143-144). It is also evident that any system implementation costs and costs of entering into and administering long-term contracts for low volume (and therefore lower revenue) customers would have to be considered (Draft Transcript, p. 145). At present, FEI has not seen any interest from lower volume customers in a long-term contract and has therefore not proposed anything in this regard. However, it could be something that FEI considers in the future if FEI saw sufficient customer interest. (Draft Transcript, pp. 145-149)

32. As discussed above, FEI has proposed a BERC rate methodology that addresses the current challenges faced by the program in a precise way that minimizes change to the program overall. The other options presented, in FEI's view, suggest changes that are not necessary to address the challenges. FEI is concerned that these changes will require additional costs to implement, which may be better spent on promoting the existing program, and introduce complexities that will then make the program more difficult to communicate to customers. Before offering further discounts, and foregoing potential revenue, FEI submits that it would be preferable to see how the market responds to a lower BERC rate as proposed before pursuing any additional changes to the program (Draft Transcript, p. 73-74).

33. In summary, it is submitted that FEI's proposal addresses the existing challenges, while resulting in minimal change to the existing program so that no extra system changes or

program complexities are required. FEI submits that its proposal is the preferable approach to the other options considered in the proceeding and should be approved as filed.

PART FOUR: TRANSFER MECHANISM

34. As FEI is proposing to sell biomethane at below the full cost of service, it is necessary that there be some mechanism to clear the balance in the BVA. In addition, it is beneficial to have a set approach to managing the balance in the BVA, rather than having a large balance build up which could have a larger impact on rates.

35. FEI's transfer mechanism was discussed and illustrated by Ms. Carman at the SRP (Exhibit B-10, Slides 16-17). FEI's particular proposal to transfer unsold biomethane inventory was guided by the following key principles (Application, 47-48):

- FEI should seek to keep the potential volume and value of inventory at a level that minimizes the annual impact on natural gas delivery and commodity rates;
- FEI should seek to have sufficient biomethane to meet future commitments to supply biomethane to Long Term customers;
- FEI should seek to keep rate impacts stable on a year to year basis; and
- FEI should recognize the generally accepted industry practice that the vintage of "green energy" has a limit of approximately 2 years before it is considered stale.

36. With these principles in mind, FEI is seeking approval in principle that it may apply to transfer unsold biomethane supply that is greater than 18 months in age and/or 250,000 GJs in the BVA to the MCRA at the prevailing CCRA rate on January 1 each year. As discussed in the Application, if supply is insufficient to meet forecast demand, FEI would have the option not to apply to transfer unsold biomethane above the limits noted.

37. With respect to the vintage of the biomethane inventory, there is not a defined protocol within Canada. However, in the US, Renewable Identification Numbers (RINs), normally expire after two years. At this time, FEI believes it is prudent to conceptually align with this generally accepted industry practice. (Application p. 48) As discussed at the SRP, FEI would transfer unsold biomethane that is greater than 18 months in age to allow time for FEI to potentially claim carbon credits for the benefit of customers within the two-year time frame. This may be done by FEI notionally consuming the biomethane as “own use” gas. While the current tax regulations do not allow for this, FEI is working towards having this type of consumption recognized as eligible for the carbon tax credit. (Draft Transcript, pp. 83-84, 88-89, 204)

38. At the SRP there was substantial discussion regarding the “lost opportunity” associated with transferring “aged inventory” to the MCRA (e.g. Draft Transcript, p. 108). As discussed in the Application (p. 48), the 2-year age-limit is based on industry norms in the U.S. and there is currently not any applicable regulation in the province that sets an expiry date for renewable energy. Nonetheless, it is important to note that UBC has raised concerns about the vintage of the biomethane and long-term customers will want assurances that the biomethane supply will be claimable over the life of their contracts. (Draft Transcript, pp. 88-89) Given these types of concerns in the marketplace, FEI wishes to maintain the integrity of the biomethane pool for sale and submits that it is appropriate to abide by industry norms until firmer rules are in place in the province.

39. When FEI applies for a transfer of any aged inventory, it will provide the Commission with an update on any regulations applicable to the age of FEI’s biomethane inventory and the demand forecast over the coming year compared to forecast supply. (Draft Transcript, pp. 88-91) FEI submits that this information should provide a sufficient basis to satisfy the Commission as to whether FEI is in fact foregoing any lost opportunity to sell the biomethane it is proposing to transfer.

40. FEI is also seeking approval in principle that it may amortize the forecast December 31 balance in the BVA, net of the transfer of unsold inventory and remaining supply costs, through the delivery rates of all non-bypass customers effective January 1 of the subsequent year. As discussed at the SRP, FEI anticipates that these amortization amounts would be forecast at FEI's annual review or revenue requirement proceedings, subject to true-up to the actual amortization set each year. This provides a simple and transparent way to recover these costs from customers, that is consistent with FEI's revenue requirements process.

41. FEI recognizes that p. 69 of the 2013 Biomethane Decision states: "FEI is directed to recover any balance in the unsold biomethane premium deferral account from all non-biogas customers through a rate rider on a timely basis." FEI has never had the need to recover any such balance, so this directive has not come into play. In this Application, rather than shifting these costs to another deferral account and use the rate rider or recovery, FEI is proposing to amortize this amount directly from the BVA into the delivery rates of non-biogas customers (Application, p. 53). As stated in response to BCUC IR 1.40.1 (Exhibit B-5):

> FEI believes that this transfer is consistent with the need for transparency as outlined on Page 53 of the decision. That is, FEI will maintain the allocation of all costs associated with the program to the BVA account, which provides a true picture and understanding of the costs of the program as defined by the Commission. With respect to costs that may ultimately be transferred for recovery from non-RNG customers, the amortization of any amount from the BVA through delivery rates will be clearly identified on the financial schedules that support the calculation of delivery rates and will be reviewed by the Commission.
>
> From a customer perspective, transparency does not present an issue regardless of whether there is a separate rate rider or the costs are recovered through amortization expense. This is because a rate rider is not typically a separate line item on the bill and is instead embedded in the applicable rate (i.e. Delivery Charge, Commodity Cost Recovery Charge or Storage and Transportation Charge) that appears on the customer's bill.

42. FEI submits that this process will still transparently track costs, but will avoid the need for an extra deferral account and rate rider, while appearing the same to customers on their bills. FEI therefore recommends it for the Commission's consideration and approval.

43. In FEI's submission, the proposed transfer mechanisms are informed by the appropriate principles and are a just and reasonable way to proceed with managing future balances in the BVA.

PART FIVE: REPORTING

44. FEI is also seeking approval to discontinue the quarterly BERC and BVA report and replace it with a single annual report in conjunction with the Fourth Quarter CCRA & MCRA report. If FEI's proposed BERC rate is approved, the setting of the BERC will be a mechanical exercise performed on an annual basis. At this time, FEI would also apply for any transfer of aged inventory as discussed in detail at the SRP. In FEI's submission, this proposal is efficient and practical.

45. FEI proposes to continue with its annual biomethane report and there will be other proceedings in which the Commission will still maintain oversight over the program, including FEI's annual review or revenue requirement proceedings, approvals of supply agreements and so on. (Application, pp. 54-55) In FEI's submission, the proposed reporting structure will maintain the necessary transparency and oversight over the biomethane program and should be approved.

PART SIX: EDUCATION AND AWARENESS

46. Finally, if a BERC rate is approved as proposed, FEI plans to return to previous levels of customer education and awareness spending of approximately $300,000.

47. Customer education and awareness spending is an ongoing and necessary component of a voluntary program. In order for customers to be able to exercise the option of

joining the program, customers need to be made aware of the program and then require further education about the program before they are willing to become biomethane customers. Once a customer signs up for the program, some efforts are necessary to retain these customers. As discussed further below, customer education and awareness spending is a necessary corollary of a voluntary program and the value of that spending must ultimately be judged in the context of the value of a voluntary program compared to non-voluntary programs.

48. Assuming that the Application is approved, resuming spending levels to $300 thousand is reasonable considering the challenge of raising awareness amongst FEI's one million customers, educating those that are interested in the program and then retaining those that actually sign up for the program. The potential rate impacts of this spending are small. As described in FEI's response to CEC IR 1.7.3, if recovered from all non-by pass customers, $300 thousand would have approximately a 0.02% to 0.03% annual bill impact on customers. Based on past experience, this budget can be used effectively to grow the biomethane program when the premium of the BERC over the CCRA rate is in the $7 dollar range.

49. At the SRP, FEI was questioned on the cost of customer additions, where by the cost per addition was calculated by simply dividing customer education and awareness dollars by the number of customer additions. FEI submits that this is not a fair or meaningful metric. Such a calculation attributes no value to the cost of generating customer awareness amongst one million customers, educating customers that may be interested (but do not sign up) and retaining customers that do sign up for the program. Instead, the cost per addition metric unfairly attributes all spending to the sole purpose of customer additions in a single year. This misleading metric also fails to appreciate that there is cost of entry into the market that simply cannot be avoided.

50. More fundamentally, the value of customer education and awareness spending is that it facilitates a voluntary program. As noted above, a voluntary program can only function properly if customers are made aware of the program and are provided the

information they need to decide to participate. One of the key benefits of a voluntary program is that the rate impacts to non-biomethane customers can be minimized by maximizing revenue from voluntary customers. In other words, the modest incremental spending required for customer education and awareness results in revenue from voluntary customers which reduces the potential impact to non-biomethane customers. The cost of customer education and awareness efforts must therefore be weighed against all the revenues of voluntary customers which would otherwise represent costs recovered from non-biomethane, non-bypass customers and the benefits of a voluntary program generally.

51. FEI therefore submits that customer education and awareness spending is necessary and beneficial for all customers, and that a $300 thousand budget is modest amount to accomplish the task of reaching FEI's one million customers and maintaining a voluntary biomethane program.

PART SEVEN: CONCLUSION

52. In conclusion, FEI submits that FEI has proposed a change to the BERC rate that addresses the current challenges facing the biomethane program today and does so with minimal change to the elements of the program previously approved by the Commission. FEI's proposals are guided by the appropriate principles and objectives, notably maximizing participation to minimize impacts to non-biomethane customers, and are supported by the evidence on the record. FEI therefore submits that the approvals sought by FEI are just and reasonable and should be approved as filed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: February 4, 2016 ***[original signed by Christopher Bystrom]***

Christopher Bystrom
Counsel for FortisBC Energy Inc.