

2900 – 550 Burrard Street
Vancouver, British Columbia, Canada V6C 0A3

604 631 3131 Telephone
604 631 3232 Facsimile
1 866 635 3131 Toll free



Matthew Ghikas
Direct +1 604 631 3191
Facsimile +1 604 632 3191
mghikas@fasken.com

May 16, 2016
File No.: 240148.00774/14797

BY ELECTRONIC FILING

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

Attention: Laurel Ross
Acting Commission Secretary and Director

Dear Sirs/Mesdames:

Re: Supplemental Reply Submission of FortisBC Energy Inc. (“FEI”)
2015 System Extension Application

FEI is filing these reply comments in response to submissions of three interveners (CEC, BCSEA-SCBC and BCOAPO) on FEI’s responses to Panel IR1 in the 2015 System Extension Application. FEI discusses below (1) BCSEA-SCBC’s submissions on MX Reporting; (2) the submissions on having a separate SLCA for residential and commercial customers; and (3) the inclusion of sustainment capital in the Rate Impact Analysis (“RIA”).

Parties in Agreement That MX Reporting Should Change

BCSEA-SCBC had initially taken no position on the merits of the current MX reporting methodology. However, following a review of the Panel IRs and previously filed evidence, BCSEA-SCBC now:

- (a) endorses the use of the RIA as a tool to evaluate the effectiveness of the system extension policy;
- (b) accepts the assumptions made by FEI regarding new customer additions and consumption; and

(c) echoes FEI's submission that there is limited benefit in comparing ex-ante values used in the MX Test and SLCA and ex-post actuals, stating "the MX Test and SLCA function as coarse filters rather than forecasts."

BCSEA-SCBC's position means that Company now has the support of all interveners on these matters.

SLCA Methodology

Interveners support the methodology used by FEI to derive the SLCA values. The only point of debate is whether there should be separate residential and commercial values as proposed by CEC. BCSEA-SCBC and BCOAPO support FEI's proposal of a single SLCA of \$2,150 for both residential and commercial customers, consistent with what was approved by the Commission in 1996 and 2007. BCSEA-SCBC suggests the ramifications of separate SLCA values have not been sufficiently examined. BCOAPO states that a separate application may be required if separate SLCA values were preferred. FEI submits that there is ample evidence on the record for the Commission to adopt either approach. Additional process would not add value, and the Commission should adopt one of the two approaches at this time.

Sustainment Capital and the RIA

BCOAPO and BCSEA-SCBC submit that sustainment capital should be included in the RIA. BCSEA-SCBC added "...the inclusion or exclusion of sustainment capital in the RIA should be determined on consideration of the principles...".

FEI submits that sustainment capital should be excluded from the RIA for the reasons outlined in the response to Panel IR 1.2.1. The principle of the RIA is to represent the actual incremental revenues and costs attributable to adding new customers over a specific period of time. Sustainment capital is a future cost that is only partly attributable to new customers. It is also difficult to estimate the proportional impact. Adding sustainment capital to the RIA reintroduces the concept of using a proxy to estimate a future incremental cost or revenue -- the very problem the RIA was intended to fix. FEI submits that, at most, that sustainment capital included in the RIA should be limited to 50% of the total.

Regardless of the Commission's decision on the inclusion or exclusion of sustainment capital in the RIA, interveners agree on the merit of using the RIA to assess the effectiveness of system extension policy. The RIA demonstrates that, with a PI of 1.25, new customers contribute more than their costs. The addition of new customers reduces rates for existing customers.

Conclusion

Participants in this proceeding continue to agree that the MX Test favours existing customers at the expense of new customers and needs to be changed. Stakeholder submissions in this proceeding underscore the potential benefits associated with energy choice and removing unnecessary impediments to access an affordable energy source. Parties also agree that changing the current MX Reporting framework and using the RIA is appropriate. FEI submits that the Application should be approved as proposed.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by Matthew Ghikas]

Matthew Ghikas

MG/tm

Enc.