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July 11, 2016

Bluestream Energy Inc.
Suite 354 – 280 Nelson Street
Vancouver, B.C.
V6B 2E2

Attention: Mr. Kirby Morrow, Director

Dear Mr. Morrow:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698874
Customer Choice Program Cost Recovery Application (the Application)
Response to Bluestream Energy Inc. (Bluestream) Information Request (IR) No. 1

On April 14, 2016, FEI filed the Application referenced above. In accordance with Commission Order A-5-16 setting out the amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to Bluestream IR No. 1.

If further information is required, please contact Scott Webb, Manager Customer Programs and Research, at 604-592-7649.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 11, 2016
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1 1 Has FortisBC considered an additional option to recover additional marketer fees
2 through a unit (\$/GJ) charge on total Marketer volumes?
3

4 **Response:**

5 Please refer to the response to Access Gas IR 1.13.
6
7

8
9 2 Does FortisBC support adding an additional option to charge on a per unit basis
10 on volumes?
11

12 **Response:**

13 Please refer to the response to Access Gas IR 1.13.
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17 3 Does FortisBC believe it is fair if Option 4 is approved that a Marketer with a
18 smaller total volume under contract (or for any new Marketers entering the
19 Program) will then have a per unit FortisBC charge that will be substantially
20 higher than established marketers with most of the volume in the program?
21

22 **Response:**

23 Please refer to the response to Direct Energy IR 1.7b.
24
25

26
27 4 FortisBC identified the resultant cost ramifications for Marketers if Option 4 is
28 approved as fair, with the following definition “does the fee structure effectively
29 allocate costs to each Marketer in alignment with the principle of cost causality?
30 Do allocations fairly reflect the costs each Marketer causes and benefits from”.
31 Please explain how it is fair that the largest volume Marketer rates may drop by
32 50% and the smallest marketer rates may increase by over 100%.
33

34 **Response:**

35 Please refer to the response to Direct Energy IR 1.7b.



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4 5 In our opinion FortisBC has not presented a fair option to allocate charges and
5 should consider a revised rate mechanism. Please confirm if FortisBC will
6 consider other rate mechanisms?

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8 **Response:**

9 Please refer to the response to Direct Energy IR 1.7b.

10 FEI is primarily concerned that costs allocated to Gas Marketers are recouped through a fee
11 structure that reasonably reflects cost causation.

12

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15 6 If option 4 was approved it is expected that a minimum of 2 and maybe 4 of the
16 existing 8 marketers registered will exit the program. If this were to occur, can
17 FortisBC clarify that the new fixed cost component of \$2,000/month would
18 increase to \$4,000/month? Would this also be true if Marketer volumes decrease
19 by 50% overall?

20

21 **Response:**

22 FEI believes that the proposed fixed monthly charge ensures that all Gas Marketers pay a
23 portion of the primarily fixed Program costs. FEI does not necessarily need to allocate shortfalls
24 arising from some retailers exiting the Program or decreased sales into the fixed monthly
25 charges. If preferable, shortfalls can be accounted for as adjustments to variable fees.

26 FEI expands on this issue in response to Direct Energy IR 1.7b.

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28

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30 7 In the scenario outlined in question 6 above does FortisBC believe that existing
31 smaller volume Marketers or potential new Marketers could possibly risk
32 participating in the Customer Choice Program?

33

34 **Response:**

35 Please refer to the response to Direct Energy IR 1.9d.

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8 The fixed basic fee also incents existing smaller gas marketers simply sell its contracts to other markers to avoid the fixed charges. Does FortisBC identify this risk and the ramifications on competition for the program?

Response:

Please refer to the response to Direct Energy IR 1.9d.

9 If FortisBC sets quarterly CCRA rates that affect the MCRA then why is it not fair and equitable that markers have the ability to set quarterly rates assuming customers remain on 12 month contracts?

Response:

FEI declines to provide a response to this question because it is beyond the scope of this proceeding.

10 FortisBC has characterized its rates as variable but in fact with all of the smoothing mechanisms in its rate setting, FortisBC rates can and have remained at one price for 12 month periods even though market index prices have deviated significantly from month to month over those periods. If Marketers were able to set monthly or quarterly rates would that not be a significant difference at times from the FortisBC rate and provide a new option for customers?

Response:

FEI declines to provide a response to this question because it is beyond the scope of this proceeding.



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1 11 FortisBC currently has an application to the BCUC for approval to implement a
2 hedging program that would significantly limit rate changes in the future.
3 FortisBC will in effect be in competition with Marketers on a fixed rate. Would it
4 not be fair for marketers to differentiate with a variable rate?
5

6 **Response:**

7 FEI declines to provide a response to this question because it is beyond the scope of this
8 proceeding.
9