Fasken Martineau DuMoulin LLP*
Barristers and Solicitors
Patent and Trade-mark Agents

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

+1 604 631 3131 General
+1 604 631 3232 Fax
1 866 635 3131 Toll-free

fasken.com

David Curtis
Direct +1 604 631 4827
Facsimile +1 604 632 4827
dcurtis@fasken.com

August 18, 2016
File No.: 240148.00808/15951

BY ELECTRONIC FILING

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

**Attn: Ms. Laurel Ross, Acting
Commission Secretary and Director**

Dear Sirs/Mesdames:

Re: ***FortisBC Energy Inc. ("FEI") Customer Choice Program Cost Recovery Application, Project No. 3698874***

In accordance with the Commission's letter of June 23, 2016 (Ex. A-7) in this proceeding, we enclose for filing the electronic version of the FEI's reply argument.

No original will follow.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by David Curtis]

David Curtis

/DC

CUSTOMER CHOICE PROGRAM COST RECOVERY APPLICATION

Reply Submissions of FortisBC Energy Inc.

August 18, 2016

PART ONE: INTRODUCTION

1. These reply submissions address the final arguments of the Commercial Energy Consumers Association of British Columbia (CEC), the British Columbia Old Age Pensioners Organization et al. (BCOAPO), Direct Energy (B.C.) Limited (Direct Energy), Summitt Energy BC LP (Summitt), Bluestream Energy (Bluestream), Access Gas Services Inc. (Access), and Just Energy (B.C.) Limited Partnership (Just Energy).

2. The focus of the submissions of Direct Energy, Summitt, Bluestream, Access and Just Energy (collectively, the “Gas Marketers”) is on the “Step 2” allocation of Customer Costs as between the Gas Marketers and FEI’s non-bypass customers. The Gas Marketers all submit that Customer Choice program costs should be allocated 100% to FEI’s non-bypass customers. The Gas Marketers take either no position, or different positions, on the “Step 3” allocation of the Program’s costs amongst themselves.

3. BCOAPO disagrees with FEI’s proposed allocation of Customer Choice Program costs as between gas marketers and FEI’s non-bypass customers. BCOAPO proposes the use of different principles to allocate Program costs and says that the application of those principles results in different allocations for the infrastructure sustainment, BCUC administration, and customer education Program costs. On BCOAPO’s proposed allocation, gas marketers would be allocated approximately $678,894 of the annual Program costs, an increase of approximately $193,947 over FEI’s proposed allocation. BCOAPO takes no position on the Step 3 allocation.

4. CEC also proposes a different approach to allocating costs which results in a different allocation. On CEC’s approach, gas marketers would bear approximately $783,564 of the annual Program costs, an increase of approximately $283,000 over FEI’s proposed allocation.[1] On the step 3 allocation CEC recommends a per GJ approach.

[1] FEI notes that this number includes CEC’s proposed $32,000 “credit” and assumes a reduced Customer Education fee to $225,000 annually. FEI does not agree that the “credit” is appropriate.

5. FEI's reply submission addresses the interveners' submissions in the following order:

(a) in **Part Two** FEI replies to the submissions of the Gas Marketers;

(b) in **Part Three** FEI replies to the submissions of BCOAPO; and

(c) in **Part Four** FEI replies to the submissions of CEC.

6. For the reasons set out in FEI's initial submissions and in these reply submissions, FEI submits that the approvals sought by FEI should be granted. FEI submits that none of the interveners have provided compelling reasons to depart from the Step 2 and Step 3 allocations of costs proposed by FEI.

7. FEI has not attempted to address each and every submission made by interveners, especially where a point of contention has been adequately addressed in FEI's final submission. Silence on any particular point raised by an intervener should not be taken as agreement.

PART TWO: REPLY TO GAS MARKETERS

A. Allocation of Customer Choice Program Costs (the Step 2 Allocation)

8. All of the Gas Marketers take the position that FEI's non-bypass customers should bear 100% of the Customer Choice Program's costs, and generally make similar points in support of their positions. Given the overlap of points made by Gas Marketers on the Step 2 allocation, FEI addresses similar themes of the various Gas Marketers under the same heading where appropriate.

(a) The Survival of the Program and Individual Gas Marketers

9. Summitt submits that any allocation of costs to gas marketers "will surely result in an exit of some if not all gas marketers, and ultimately resulting in the demise of the Customer Choice Program".[2] Bluestream[3], Just Energy[4] and Access[5] make similar submissions. These interveners further submit that the cost allocation should be premised on the continued survival of the Customer Choice Program. Bluestream, for example, states that the Program was "mandated by the Provincial Government for the benefit of all rate payers on the FortisBC system".[6] Access says that the Commission should ensure the long-term viability of the Program in B.C. by "socializing the cost of sustaining the Program".[7]

10. As noted in its final submission, FEI did not feel that it was appropriate or justified to base the allocation of Program costs on the financial circumstances of individual marketers, who may or may not be able to bear changes to the existing fee structure. FEI was guided by Order A-12-15, which sets out the Commission's expectation that operating costs will be recovered from gas marketers "where possible". There is no direction or mandate either from the Commission or government to allocate costs in a manner that *guarantees* the

---

[2] Summit Submission, p. 1.
[3] Bluestream Submission, pp. 1-2.
[4] Just Energy Submission, p. 1.
[5] Access Submission, Part #1, point 1).
[6] Bluestream Submission, p. 1.
[7] Access Submission, Part #1, point 1).

continued survival of the Program by whatever means possible or the participation of any particular gas marketer or number of gas marketers.

11. FEI further notes that the Gas Marketers make submissions regarding the impact of the proposed cost allocations that are not based in evidence. For example, Just Energy says that the proposed cost recovery will create a "barrier to entry"[8], but there is no basis in the evidence for this submission and it is therefore not something that the Commission can or should consider.

(b) Other Jurisdictions

12. Just Energy notes that FEI did not consider how costs for similar programs are recovered in other jurisdictions. Just Energy suggests that such a comparison should now be carried out.[9] Similarly, Bluestream suggests that FEI's recommended cost allocation "is not in compliance with industry fee structuring in any jurisdiction".[10] FEI did not believe there was value in conducting comparisons with other jurisdictions[11], but if the Gas Marketers, or any other intervener, felt strongly that evidence regarding approaches in other jurisdictions would have been helpful then they could have provided it. However, no intervener provided any evidence regarding approaches in other jurisdictions other than general statements that things are done differently elsewhere. FEI submits that the Commission should disregard the submissions of the Gas Marketers regarding approaches taken in other jurisdictions.

(c) The Program Benefits All Ratepayers

13. All of the Gas Marketers generally submit that the Customer Choice Program was created to provide a choice and benefit for all customers and, therefore, FEI non-bypass customers should bear 100% of the Program's costs. This position ignores the direction in Order A-12-15 as discussed in FEI's final submissions, and it fails to address the distinction drawn by FEI between costs that are caused to make the Program available to all customers,

---

[8] Just Energy Submission, p. 1.
[9] Just Energy Submission, p. 1.
[10] Bluestream Submission, p. 1.
[11] See SRP Transcript p. 55, line 24 to p. 56, line 13, for FEI's discussion of this issue during the SRP Hearing.

and costs that are incurred to administer the Program for gas marketers and their customers. FEI submits that this distinction recognizes the point made by Gas Marketers that the Program was initiated to provide customers with a choice of products, while at the same time ensuring that those who choose to participate in the Program bear an appropriate portion of the Program's ongoing administrative costs.

(d) BCUC Dispute Fees

14. Just Energy submits that the 20% allocation of BCUC costs related to dispute resolution should be allocated to all of FEI's non-bypass customers on the basis of the "extremely low level of disputes filed by customers".[12] FEI submits that this is an irrelevant consideration and does not provide a basis for rejecting FEI's proposed allocation of these costs to gas marketers. While dispute levels are at a lower level than they have been in the past, the dispute resolution costs are still caused by gas marketers and their product offerings and, therefore, they should be allocated to gas marketers.

(e) Unfairness

15. Access submits that the proposed cost recovery approach is unfair to its customers because it will result in Customer Choice customers having to "pay a premium to ensure the option is available for all".[13] FEI disagrees with Access' statement that its customers will be forced to pay a "premium" to keep the program available under FEI's recommended approach. FEI has not recommended a "premium" fee for gas marketers or their customers. Rather, FEI has recommended that all non-bypass customers pay the costs of making the Program available, while gas marketers pay for the costs of administering the Program for gas marketers and their customers. The recommended approach does not incorporate a "premium" of any kind.

---

[12] Just Energy Submission, p. 1.
[13] Access Submission, Par #1, points 2) and 3).

(f) Consumer Benefits

16. Access submits that consumers benefit when gas marketers are able to offer a competitive product. Access says that the proposed cost allocation is yet another example of increased costs and, therefore, socializing costs is the “right thing to do”. [14] FEI submits that subsidizing gas marketers and their customers by having all FEI customers pay Program costs will not result in a “competitive product”. On the contrary, such an approach will result in gas marketers offering a subsidized product that is not truly reflective of market conditions and the costs incurred to operate the Program.

(g) Direct Energy Submissions on Specific Allocations

17. Direct Energy agrees with the use of the cost causation principle but disagrees with FEI’s application of that principle to certain cost items.

18. Direct Energy cites FEI’s response to Direct Energy IR 4 in support of its position that the technology sustainment costs should be allocated to all FEI non-bypass customers.[15] Direct Energy IR 4 asked FEI what would happen if these costs were not incurred for a period of time, and FEI’s response was as follows:

> If the duties included within this component were not performed, the systems and processes required to support the Program would likely work for several days, or perhaps weeks without any intervention. However, at any given time there are typically existing issues that need attention and issues soon arise. The department still has issue management meetings at least monthly with Fujitsu and internal systems personnel to ensure items and possible impacts are suitably addressed. Technology sustainment activities are integral to ongoing Program maintenance and operation.

19. Direct Energy submits that this response somehow demonstrates that these costs cannot be allocated to gas marketers on the basis of cost causation. FEI submits that the mere fact that a system or process can “work” for days or even weeks without intervention has nothing to do with the principle of cost causation. FEI repeats and relies on its evidence in

[14] Access Submission, Part #1, point 7).
[15] Direct Energy Submission, p. 1.

support of its position that the technology sustainment costs should be borne by gas marketers.[16] FEI submits that Direct Energy's submission regarding this cost item should be rejected.

20. Direct Energy makes the same point regarding Program Administration costs and refers to FEI's response to Direct Energy IR 5.[17] FEI submits that Direct Energy's submissions regarding this cost item are also without merit and should be rejected.

B. Allocation of Costs Among Gas Marketers (the Step 3 Allocation)

21. Just Energy does not appear to take a position on the Step 3 allocation.

22. Summitt submits that if the Commission allocates Program costs to gas marketers, then FEI's recommended Option 4 should be adopted.[18]

23. Bluestream submits that FEI's recommended Option 4 is "simply unreasonable and unfair", but does not explain why. Bluestream proposes as an alternative increasing existing, or creating new variable rates. FEI submits that Bluestream has not offered any reason to reject FEI's recommended Option 4.[19]

24. Access' position, if the Commission allocates Program costs to gas marketers, appears to be that FEI's recommended Option 4 should be adopted, but that the variable component should be based on a per GJ calculation.[20] FEI is amenable to this approach but notes that Access has not provided any rationale for its proposal. Access goes on to suggest an "alternative" approach that involves the use of "static or indexed to inflation" amounts, with certain variable fees such as for setting up a pricing group or issuing an invoice.[21] FEI submits that there is no basis on the record for establishing the "alternative" approach suggested by Access.

---

[16] Ex B-1, Application, section 3.1.1.2.
[17] Direct Energy Submission, p. 1.
[18] Summitt Submission, p. 2.
[19] Bluestream Submission, p. 2
[20] Access Submission, pp. 2-3.
[21] Access Submission, p. 3.

25. Direct Energy says that an equal fixed fee across all participating gas marketers is "inappropriate and unjustified", but does not explain why.[22] In the final paragraph on page 3 of its submission, Direct Energy suggests that FEI's proposed allocation (presumably recommended Option 4) is "reckless and further endangers the Program". Direct Energy does not support or explain this statement.

26. For the Step 3 allocation of Program Costs among gas marketers, FEI carried out both a quantitative and qualitative analysis of the four recommended options to determine the appropriate way to allocate costs among gas marketers. The Gas Marketers have either supported the recommended Option 4 or rejected it without addressing the underlying analysis. As a result, FEI submits that none of the parties have provided any basis for adopting a different approach to the Step 3 allocation. FEI submits that the recommended Option 4 should be adopted.

[22] Direct Energy Submission, p. 3 of 4.

PART THREE: REPLY TO BCOAPO

A. BCOAPO's General Submissions Regarding FEI's Methodology

27. In paragraphs 6 to 14 of its submission, BCOAPO addresses FEI's proposal and underlying methodology and then provides its own alternative cost allocation proposal in the remainder of its submissions. This section addresses BCOAPO's comments regarding FEI's methodology.

28. In reply to paragraphs 8 and 9 of BCOAPO's submission, FEI has not interpreted "where possible" in a way that requires non-participants to subsidize the Customer Choice Program. FEI has interpreted "where possible" as meaning "where appropriate based on the principle of cost causation". FEI's recommendation is that all customers should bear the costs of making the Program available for all customers. This option (of having the Program available) is a tangible benefit for FEI's customers. FEI's proposal is not a recommendation for subsidization; it is a recommendation that costs be recovered from those customers who are driving (or causing) the costs at issue.

29. Further on in paragraph 8 of its submission, BCOAPO says that "making the Customer Choice Program available" is an "objective", not a cost allocation principle, presumably as a criticism of the methodology employed by FEI for allocating costs. FEI confirms that its approach to cost allocation relies on the principle of cost causation. FEI submits that the appropriate *application* of this principle involves the following two considerations:

(a) costs incurred specifically to administer the Customer Choice Program and services for gas marketers and their customers should be allocated to gas marketers; and

(b) costs incurred to ensure the Program is available for all FEI customers whether they choose to participate or not should be allocated to all FEI ratepayers.

30. FEI agrees that (b) is not a "principle", but it is not an *objective* either as suggested by BCOAPO. Rather, (b) is the application of the principle of cost causation to the

costs at issue. What (b) says is that costs incurred to make the Customer Choice Program available and, therefore, an option for all customers, are costs that are incurred for the benefit of all FEI non-bypass customers and therefore appropriately charged to all customers.

31. In paragraph 10 of its submission BCOAPO says that FEI's approach to cost allocation "is not workable", but BCOAPO does not explain this statement and accordingly it should be rejected.

32. FEI generally agrees with BCOAPO's submissions in paragraphs 11 and 12.

33. FEI disagrees with BCOAPO's submission in paragraph 13. As explained in the Application, there are ongoing costs associated with making the Program available as an option to all customers, and these costs have not "already been socialized pursuant to the CPCN Decision".

B. BCOAPO's Proposed Alternative Approach to Cost Allocation

34. At paragraphs 16 to 17 of its submission, BCOAPO proposes an alternative approach to cost allocation, and in the remainder of its submission BCOAPO applies its alternative approach to the Program's cost items. There are a number of problems with BCOAPO's proposal.

35. First, BCOAPO has not provided any basis or support for its recommended approach. It cites no authority in support of the "principles" or "questions" that it asks the Commission to rely on.

36. Second, BCOAPO did not raise its alternative approach to FEI during the evidentiary phase of the proceeding through information requests, as it could and should have done if it wished to recommend an alternative allocation in this fashion. Having failed to put its approach into evidence through information requests, or through filing its own evidence to support the proposal, there is no evidentiary basis upon which the Commission can make a decision based on BCOAPO's alternative approach.

37. Third, BCOAPO's recommended approach is either similar to (or identical with) FEI's recommended approach, or alternatively, it is highly subjective and uncertain. For example, BCOAPO's first question is as follows:

> Are all costs incurred specifically for the Customer Choice program and/or its customers?

38. This question is arguably just an alternative way of stating the cost causation principle. It could be read as simply asking "are all costs caused specifically by the Customer Choice program and/or its customers". If this question is asking something different, then it is unclear what it is asking. What does "specifically for" mean in this context if not "caused by"? These questions illustrate the problem of introducing these kinds of proposals through argument and not through evidence since the opportunity has now passed to test the proposal through the regulatory process.

39. Fourth, BCOAPO suggests that FEI's approach to cost allocation is "unworkable" and difficult to implement on a "principled basis". FEI disagrees but notes that the very same could be said of BCOAPO's approach. For example, when it comes to its suggestion to allocate customer educations costs 80% to all non-bypass customers and 20% to gas marketers, BCOAPO says the following:

> On a principled basis, it makes sense that Gas Marketers should take some responsibility regarding promoting customer awareness about the Customer Choice program and consumer protection. Consumer protection is particularly important considering documented problems in the Customer Choice program. Further, the Gas Marketers directly benefit to some extent from FEI's efforts to raise awareness about the existence of the program. The line between raising consumer awareness and advertising/marketing the Customer Choice Program may sometimes be blurred. BCOAPO is open to alternative ratios for the allocation of Customer Education costs.[23]

40. With the greatest respect, this is a highly subjective approach to cost allocation. BCOAPO's suggested allocation simply comes down to what it views as making "sense".

[23] BCOAPO Submission, para. 29(iii).

Further, it should be noted that Customer Choice customers do contribute to the recovery of these costs proportionally in their delivery rate, so they are already bearing a portion of these costs (and not an arbitrary one) through FEI's proposal.

41. The application of BCOAPO's recommended approach results in substantial agreement with FEI's proposal. The resulting allocations from BCOAPO's approach are as follows: BCOAPO agrees with FEI's recommended allocations for technology sustainment, contact centre, program administration, BCUC regulatory proceedings, and BCUC dispute resolution. BCOAPO disagrees with FEI's proposed allocations for infrastructure sustainment and BCUC program administration. BCOAPO agrees with FEI that most of the customer education costs should be borne by all non-bypass customers, but suggests a 20% allocation to gas marketers. The resulting allocation is, by FEI's calculation, $678,894 to gas marketers and $310,443 to non-bypass customers. The difference from FEI's recommended approach is approximately $193,947 of costs allocated away from non-bypass customers to gas marketers. FEI has no comment on the significance of this difference but has provided the numbers since BCOAPO decided not to, and on the assumption that the Commission would find a comparison of the numbers somewhat helpful. Overall, BCOAPO agrees with most of FEI's proposed allocations, albeit for different reasons.

42. FEI submits that for all of these reasons BCOAPO's proposal should be rejected entirely.

PART FOUR: REPLY TO CEC

A. CEC's Proposed Alternative Approach to Cost Allocation

43. Similar to BCOAPO, CEC disagrees with FEI's approach to the Step 2 cost allocation and proposes an alternative allocation based on different principles.

44. CEC's proposal is as follows:

> Proper allocation means costs incremental to FEI's average costs in the Delivery costs and Storage and Transport costs charged to Customer Choice customers should be allocated to Customer Choice customers directly because this aligns with cost causation principles.[24]

45. This general principle is followed by three more principles that CEC asks the Commission to apply which are numbered 1, 2 and 3, and which are set out at paragraphs 19, 20 and 21 respectively.

46. CEC's proposal suffers from the same problems as BCOAPO's proposal and should be rejected. First, CEC has not provided any basis or support for its recommended approach. It cites no authority for the "principles" that it asks the Commission to rely on, and the principles themselves are articulated in a manner that makes them difficult to comprehend and apply. For example, Principle 1 reads:

> If the delivery charge or storage and transportation charge does not include a type of cost in the average, then the specific cost is incremental to the Customer Choice customer.[25]

47. With the greatest respect, there is no objective way to apply this principle in the circumstances of this Application. It is unclear what the words "does not include a type of cost in the average" mean. What types of costs? What "average"? What does it mean to say that the cost is "incremental to the Customer Choice customer"? Who endorses this principle? Has the Commission adopted this principle in a past proceeding? What are the "types" of costs in

---

[24] CEC Submission, para. 18(b).
[25] CEC Submission, para. 19.

the delivery charge that are relevant for consideration? This principle raises far more questions than it answers. It should be rejected.

48. Principles 2 and 3, which are set out in paragraphs 20 and 21 of CEC's submission, are equally difficult to understand. For example, Principle 2 would have the Commission consider whether delivery or storage and transportation charges "contain a large magnitude of similar type costs to those used by Customer Choice, but not used by Customer Choice customers". With the greatest respect, this is an unworkable principle and it is unclear how to apply it in the context of this Application.

49. Second, CEC did not raise its alternative approach to FEI during the evidentiary phase of the proceeding through information requests, or file evidence in support of the proposal, which raises the same issues and concerns as described above with respect to BCOAPO's proposal. CEC's proposal cannot be tested by any other party, including the gas marketers who would bear the greater costs of this approach relative to FEI's proposal.

50. Not only does CEC rely on questionable and unsupported principles, its application of the principles in the circumstances is highly problematic, due in large part to the lack of evidentiary support and the speculative assumptions made by CEC. For example, in setting out its analysis of the allocation of infrastructure costs, which happens to result in the same allocation proposed by FEI, CEC states the following:

> The CEC submits that the 8% allocation seems somewhat high. Using rough proxies of 1 million customers, and $1 million in Infrastructure Sustainment costs, the average cost per customer for Infrastructure Sustainment is approximately $1, which would be included in the Delivery Charges. In contrast, the 8% allocation of approximately $75,000 over 32,000 customers equates to approximately $2 per customer.

51. There is no evidentiary support for this speculative analysis and it should be rejected.

52. At paragraph 12 of its submission CEC says that FEI has "failed to consider the average FEI costs that are embedded in the delivery charge and mid-stream and storage charge

which the Customer Choice customers also pay". The suggestion is that FEI's proposal may double-charge Customer Choice customers by charging them for a certain cost item in the delivery rate, and then charging the same Customer Choice customers again through FEI's proposed allocation.

53. FEI denies that it overlooked this issue as suggested by CEC, and denies that any of the costs that FEI says should be allocated to gas marketers result in double counting. This is demonstrated by the fact that while CEC raises this issue in a general way, when CEC applies its proposed allocation methodology it only identifies one instance where it says an allocation of costs to Customer Choice customers proposed by FEI would result in double counting. CEC says that the allocation of BCUC dispute resolution costs to Customer Choice customers would be double counting because the delivery charge incorporates dispute resolution costs for complaints related to all BCUC customers. There is no basis for this suggestion. The BCUC dispute resolution costs are separate operating costs identified by the BCUC which it estimates are incurred specifically in relation to the resolution of Customer Choice disputes and, therefore, are properly allocated to gas marketers. They are not duplicated in any way in FEI's delivery charge. CEC did not allege that any other costs that FEI proposes to allocate to gas marketers result in double counting. The allegation of double counting should be rejected.

54. In concluding, FEI notes that CEC agrees with many of FEI's proposed allocations, albeit for different reasons. The disagreement lies in the allocations of the BCUC costs and the customer education costs. On CEC's approach, the allocation of costs to gas marketers would increase by approximately $283,000 up to a total of $783,000.[26] FEI repeats and relies on its evidence and submissions in support of the allocations of these costs as set out in Table 3-2 of the Application. For the reasons stated above, CEC's proposed allocation should be rejected.

[26] As noted above, these numbers include the assumption of a $32,000 "credit", which is discussed below, and a reduced Customer Education amount of $225,000.

B. Gas Supply and Portfolio Costs

55. CEC suggests that Customer Choice customers may be charged for gas supply and portfolio costs through the Storage and Transportation Cost, but that they do not actually make use of these services. CEC submits that, as a result of this, Customer Choice customers should receive a $1 per customer credit, or $32,000, which should be set off against the allocation of Program costs to gas marketers. FEI does not agree that this credit should be applied.

56. First, it is not clear what specific functions CEC is referring to when it discusses "Gas Supply and Portfolio Costs". Regardless, FEI can confirm that the Storage and Transport Cost includes the costs related to the resources required to balance the supply and load, which is a function that is undertaken for all baseload commodity providers (FEI and gas marketers). Further, this Application is dealing with the Customer Choice Program costs, which are not included in the gas supply portfolio costs. Gas supply and portfolio costs are not within the scope of this proceeding.

C. Step 3 Allocation

57. At paragraph 88 CEC suggests that a "simple per gigajoule charge would be a more logical and preferred methodology for charging gas marketers". It is not clear to FEI whether this approach is recommended as a fully variable per GJ rate, or a recommendation only with respect to the variable component of FEI's recommended Option 4. CEC argues that its recommended approach is suitable from a "Bonbright perspective".

58. As with other interveners, CEC's approach to the Step 3 allocation is to endorse an approach that is different from FEI's recommended Option 4, without addressing the quantitative and qualitative analysis that FEI provided in support of its recommendation. As a result, FEI does not have any detailed reply to CEC's suggestions, other than to say that CEC has not provided any reason to reject FEI's recommended Option 4.

D. Performance Based Regulation

59. At paragraphs 108 and 109 of its submission, CEC submits that the Customer Choice Program should be removed from the PBR. FEI submits that this issue is outside the scope of this proceeding and is something that CEC can raise in the PBR annual review process if it wishes. Whether the Customer Choice Program remains within the current PBR structure or if a future Commission determination removes it from PBR, there is no effect on the proposals and approvals sought in this Application, which are based on a continuation of the current PBR structure and can proceed independently.

PART FIVE: CONCLUSION

60. FEI's recommended approach to the Step 2 allocation has, not surprisingly, turned out to be the middle ground in this proceeding. The Gas Marketers want to see all costs allocated to FEI's non-bypass customers, while BCOAPO and CEC want to see more costs allocated to gas marketers. Having considered the submissions of the interveners, FEI maintains that its recommended approaches to both the Step 2 and Step 3 allocations are reasonable and should be approved, along with the other approvals sought in the Application and as amended in the response to Undertaking No. 1.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: August 18, 2016 ***[original signed by David Curtis]***

David Curtis
Counsel for FortisBC Energy Inc.