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August 10, 2017

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698899
2016 Rate Design Application (the Application)
FEI Information Requests (IRs) to Elenchus Research Associates Inc.
(Elenchus) on their Rate Design Report

In accordance with the Regulatory Timetable for this proceeding set out in Commission Order G-109-17, FEI respectfully submits the attached IRs to Elenchus on their Rate Design Report.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachment

cc (email only): Registered Parties

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1.0 Topic: Residential Rate Design – Recovery of Fixed Costs

Reference: Exhibit A2-10, page 13-14

In response to the Commission’s request to provide a “review of acceptable alternatives to FEI’s proposal for a one-time 5% increase in the residential fixed charge in order to improve the alignment between the fixed costs allocated to the residential rate schedule and the fixed charges recovered from residential customers as explained by FEI”, Elenchus provides three alternatives: (1) No one-time increase (2) One time 5% increase and subsequent annual adjustments to the fixed charge(s) (3) One time increase greater than 5%.

1.1 Please confirm that the alternative of No one-time increase to the Basic charge will not improve the alignment between the fixed costs allocated to the residential rate schedule and the revenues recovered from residential customers by way of fixed charges.

Reference: Exhibit A2-10, page 14-15

“The disadvantages of no one-time increase are that fixed charges billed to customers will deviate further from the fixed costs imposed by customers on the utility and a larger proportion of fixed costs would be recovered through the variable charge resulting in more uncertainty to the utility of recovering its approved revenue requirement. In addition, keeping a higher variable charge is a disincentive for the utility to maximize the effectiveness of its conservation programs.”

1.2 Please confirm that another disadvantage of the alternative of No one-time increase to the Basic charge is that the intra-rate schedule fairness between higher and lower-use customers will further deteriorate as future general rate increases are applied to the volumetric delivery charge only.

Reference: Exhibit B-1, PDF page 53 (page 3-11, ll. 13 to 25)

“The Commission directed BC Gas to bring forward a weather stabilization proposal and a general decoupling (RSAM) proposal that would serve to protect the utility from significant swings in revenue that could be caused by rate structures based on, for example, marginal cost pricing. This matter was addressed in the 1994/1995 and 1996/1997 Revenue Requirements Applications, as described below.”

“The 1994/95 Revenue Requirements application addressed the directive from the Commission in the Phase B Rate Design Application to bring forward a weather

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stabilization proposal and general decoupling proposal. The Commission approved the RSAM as a revenue stabilization account for the residential and commercial rate schedules covering the five month winter period. The RSAM was made effective on January 1, 1994. In the Commission approved negotiated settlement agreement for the 1996/97 Revenue Requirements Application, the RSAM was extended to all twelve months of the year.”

Reference: Exhibit B-1, PDF page 904 (Appendix 4-1, August 31, 2016 Workshop 3, page 19)

“..back in 1990s, we had revenue decoupling account, RSAM. The logic was that it would ensure that we recover our delivery revenues from residential and commercial rate classes and wouldn’t discourage pursuing DSM. We still have that account in effect today.”

Reference: Exhibit B-1-1, PDF page 52 (page 13-46, II. 2 to 6)

“The RSAM stabilizes delivery margin received from customers on a Use Per Customer (UPC) basis. If customers’ actual UPC varies from the forecast UPC used to set rates, whether due to weather variances or other causes, FEI records the delivery charge differences in the RSAM deferral account for refunding or charging through a rate rider to the RSAM rate schedules over the ensuing two years.”

Reference: Exhibit A2-10, page 13

“The OEB’s reasoning for the move to fully fixed residential distribution rates is that it helps ensure that electric distributors will recover their approved revenue requirement through a fixed charge and it will eliminate the disincentive to conservation program success since success inherently results in lower customer consumption and revenue under a variable distribution rate.”

Reference: Exhibit A2-10, page 15

“In addition, keeping a higher variable charge is a disincentive for the utility to maximize the effectiveness of its conservation programs.”

- 1.3 Please confirm that a revenue stabilization or decoupling mechanism, such as FEI’s Revenue Stabilization Adjustment Mechanism (RSAM), helps ensure that the utility recovers its delivery revenues from residential and commercial rate classes and reduces or removes the disincentive for the utility to pursue to conservation programs, without moving to fully fixed distribution rates.
- 1.4 Please confirm that, other things equal, a rate structure with higher cost recovery through volumetric charges, as is enabled by FEI’s RSAM, provides stronger

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price signals for customers to participate in energy conservation programs than a rate design that involves full fixed cost recovery through fixed customer charges.

2.0 Topic: Commercial Rate Design

References: Exhibit A2-10, page ii;

Exhibit A2-10, Section 4 FEI Rate Design for Commercial Customers, page 19, 20;

“Among the utilities reviewed by Elenchus, there is only one utility, AltaGas that explicitly prepared the economic crossover volume analysis between rate classes in its rate design. AltaGas excluded the gas cost recovery charge when calculating the cross over point between small and large general service classes.”

Reference: Exhibit A2-10, page 20;

“It is noted that the gas cost recovery charge is collected through a rider at the same rate for small and large general service customers served by AltaGas which means that the economic crossover volume is the same whether the commodity cost is included in or excluded from the calculation. However, this is not the case for FEI where different commodity costs exist for small and large commercial customers.”

“...commodity costs will not have an impact on the cross-over volume.”

- 2.1 Please confirm that, in FEI’s case, commodity costs will have an impact on the cross-over volume because the cost of gas differs between FEI’s Small and Large Commercial customers.
- 2.2 Please confirm that, in FEI’s case, the Cost of Gas should be included along with the Delivery Charges and Basic Charges in determining the economic crossover volume.

3.0 Topic: Bypass Customers & Rates

Reference: Exhibit A2-10, page iv, Item 8;

“Where bypass is feasible, the primary purpose of bypass rates is to avoid uneconomic bypass. Uneconomic bypass occurs when the costs that must be incurred to enable a customer to bypass the utility exceed the incremental costs that must be incurred to connect the customer. However, impeding economic bypass is not normally in the public

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interest since, by definition, economic bypass implies that the incremental costs of bypass are less than the incremental cost of utility providing service.”

- 3.1 Please confirm that the circumstances of economic and uneconomic bypass that Elenchus describes in the referenced paragraph contemplate the situation where a potential, new commercial or industrial customer is considering the economics of connecting to the distribution utility’s system relative to building its own connection to the upstream pipeline’s system.
- 3.2 Please confirm that another situation where a bypass threat may exist is the case where a customer is already connected to the distribution utility’s system, but has a viable opportunity to achieve savings by leaving the distribution utility’s system and connecting to the upstream pipeline’s system.
- 3.3 In the situation where the bypass threat is a customer that is already connected to the distribution utility’s system, please confirm that:
 - 3.3.1 From the utility’s perspective, the past costs of connecting such a customer to the distribution utility’s system are “sunk costs”, and
 - 3.3.2 Since the distribution utility’s costs are predominantly fixed in nature, the utility’s cost savings from the potential bypass customer leaving the system would be relatively minor, and likely only a small fraction of the utility rates that the customer had been paying.

4.0 Topic: Crisis Intervention Funds for Residential Customers

Reference: Exhibit A2-10, page 40-41;

“The Ministry of Social Development and Social Innovations (the Ministry) runs crisis assistance programs that are designed to help low income customers. Under the Essential Utilities Supplement Program, a crisis supplement for essential utilities may be provided if recipients have reached their monthly or annual limit for crisis supplements, exhausted all resources, and do not have the ability to maintain essential utilities for their home when served with a disconnection notice or faced with the inability to re-establish essential utilities. Another program administered under the Ministry’s supervision is the Utility Security Deposit program under which a supplement may be provided to assist recipients of income, hardship, and disability assistance with the cost of securing service for electricity or natural gas”

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Reference: Exhibit A2-10, Section 10.2, page 41

“In Ontario, low income customers can apply for the Low-income Energy Assistance Program (LEAP) which provides a maximum \$500 one-time assistance for their natural gas bills ... In Alberta, a one-time financial assistance to low income individuals or families facing utility disconnection is provided by Alberta Works/Alberta Supports or Canadian Red Cross ... For Manitobans, the Employment and Income Assistance Program (EIA) provide low-income consumers help with their utility costs.”

Reference: Exhibit B-1, PDF page 153-154 (page 7-27, ll. 26-27 and page 7-28, ll. 1-14)

“The government of B.C. has various programs that are specifically designed to assist with the affordability of energy for low income households....”

“An example of programs specifically designed for low income residential customers includes those run by the Ministry of Social Development and Social Innovations (the Ministry), which consist of crisis assistance programs that specifically help utility customers. Under the Essential Utilities Supplement Program, a crisis supplement for essential utilities (fuel for heating and cooking, water and hydro are considered by this program as essential utilities) may be provided if recipients have reached their monthly or annual limit for crisis supplements, exhausted all resources, and do not have the ability to maintain essential utilities for their home when served with a disconnection notice or faced with the inability to re-establish essential utilities. The essential utilities supplement counts towards a recipient’s cumulative annual limit for crisis supplements. Another program administered under the Ministry’s supervision is the Utility Security Deposit program under which a supplement may be provided to assist recipients of income, hardship, and disability assistance with the cost of securing service for electricity or natural gas. This supplement is available under the Employment and Assistance Regulation and Employment and Assistance for Persons with Disabilities Regulation.”

- 4.1 Please confirm, or otherwise explain, that Manitoba’s Employment and Income Assistance Program is administered and funded by government, and that costs of the program are not recovered through utility rates.
- 4.2 Please confirm, or otherwise explain, that the Alberta financial assistance program for low income individuals and families referenced by Elenchus is administered and funded by government agencies or non-profit organizations, and that the costs of the programs are not recovered through utility rates.
- 4.3 Please confirm, or otherwise explain, that for the Low-income Energy Assistance Program (“LEAP”) in Ontario, it is local social agencies, not the utilities, that determine whether a customer is eligible for assistance under the program.

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- 4.4 Please confirm, or otherwise explain, that the LEAP program in Ontario is funded by all ratepayers within each utility (i.e. not just residential customers).
- 4.5 Please confirm, or otherwise explain, that the government of Ontario does not have a similar government funded program, in addition to the LEAP program funded by ratepayers, to help low income customers with their natural gas bills.