



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

September 29, 2017

Via E-mail:

dicktracyy@shaw.ca

Attention: Mr. Richard T. Landale

Dear Mr. Landale:

Re: FortisBC Energy Inc. (FEI)

Project No. 1598915

**Application for Approval of Operating Terms between the City of Surrey and FEI
(the Application)**

Response to Richard T. Landale (Landale) Information Request (IR) No. 1

On May 18, 2017, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-98-17 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to Landale IR No. 1.

If further information is required, please contact Ilva Bevacqua at 604-592-7664

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 1

1 **PRE-EXISTING STANDARD OPERATING AGREEMENTS**

2 FortisBC Energy Inc. Application for Operating Terms Between the District of Coldstream and
3 FortisBC Energy Inc., Final Order with Reasons, G-113-12.

4 <http://www.ordersdecisions.bcuc.com/bcuc/orders/en/item/118398/index.do?r=AAAAAQAJRy0x>
5 [MTMtMTIqAQ](#)

6 Quote from the Commission's Final Determination.

7 "FEI Pro-forma Agreement

8 The Commission notes the Municipality's concerns over the emphasis placed on the
9 Pro- forma Agreement by FEI and is in agreement with the Municipality that, with regard
10 to applications made pursuant to section 32 of the Act, the circumstances in each
11 municipality should be considered to determine the appropriate terms and conditions on
12 an individual basis. The Commission has reviewed submissions from both parties and
13 has included its determination on each of the Specific Terms in Dispute in Appendix A.1.

14 The Commission does not agree with comments made by the Municipality in the
15 Coldstream Reply that questions raised and comments made by the Commission
16 specific to the Pro-forma Agreement do not provide a "strong endorsement" of the Pro-
17 forma Agreement. Instead, such questions and comments are part of the regulatory
18 process that the Commission engages in prior to issuing orders and decisions. In the
19 Commission's view, that FEI has successfully negotiated new operating agreements that
20 are substantially similar to the Pro-forma Agreement with 21 municipalities, each with
21 individual circumstances, since 2006 provides strong support for the merits of the Pro-
22 forma Agreement."

23 And reiterated in the Commission Order C-7-14 RE: FortisBC Energy Inc. Application for
24 Approval of an Operating Agreement with the Village of Keremeos

25 **INFORMATION REQUESTS:**

26 **1. Please discuss the over arching rational / FEI Policy as why FEI agreement**
27 **proposal differentiates between 21 other Municipalities to FEI / Surrey**
28 **negotiations and disagreement.**

29 **Response:**

31 For operating agreements that are being renewed, when the operating agreements are set to
32 expire, FEI commences negotiations for a new operating agreement terms using the current
33 Standard Operating Agreement Template approved by the Commission at that point in time. As
34 negotiations progress between FEI and a particular municipality, there can be unique operating
35 characteristics or issues which the municipality is particularly concerned about which result in



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 2

1 specific requests to modify terms which may not be applicable to other municipalities. As such,
2 negotiations can result in modifications to terms or drafting preferences between the parties
3 negotiating. FEI will consider the requests and make determinations as to whether such
4 modifications are in the best interests of the Company and its customers, and if it is acceptable,
5 beneficial, neutral, or represents a reasonable balance of interests, FEI will consider accepting
6 the modifications requested. As a result, proposals for operating terms can vary between
7 municipalities.

8 The Application provides the background to the operating agreement with the City of Surrey and
9 a discussion of how the City of Surrey is different. For a further discussion about and illustration
10 of some of the differences between the City of Surrey and other municipalities, please refer to
11 the responses to BCUC IRs 1.4.3 and 1.4.4.

12



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 3

1 Will FEI please respond to these “IR’s 2 & 3” using the BCUC guidelines for confidentiality
2 filings, for security reasons. As FEI’s response pertains to facilities, pipeline routing,
3 transmission systems in neighbourhood connection networks to customers.

4 **2. Does FEI have any underground natural gas pipelines, or underground piping**
5 **systems in Hawthorne Rotary Park, located within the Municipality of Surrey. A**
6 **simple Yes/No answer is all that is requested.**

7

8 **Response:**

9 Yes.

10

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 4

1 **3. As a follow up, is it normal practice, whether in Surrey or any other Municipality,**
2 **or Federal/Provincial Parks for FEI’s distribution network to route natural gas**
3 **supply systems through Parks of any kind. A simple Yes/No answer is all that**
4 **is requested.**

5
6 **Response:**

7 Rather than a black and white yes or no response, the response depends on the circumstances.
8 While FEI does have assets located in many parks in Surrey and in other municipalities, to
9 suggest it is normal practice would be an oversimplification. The routing/location of pipelines is
10 determined on a case-by-case basis taking into account many factors, including other available
11 alternatives, system configuration, cost, impact to the environment, municipal requirements, and
12 ultimately the effect on customers.

13 In addition, over time, while the installation location may remain unchanged, the surface use of
14 the land above the pipeline may change, examples of which include:

- 15 • a pipeline originally installed on bare land or private property may now be situated within
16 a road if subsequent road widening or land development occurs; and
 - 17 • a pipeline originally installed within road may now be situated within green-space as a
18 result of road closures, redevelopment, park dedication, etc.
- 19



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 5

1 The following IR's I believe can be responded to in an open IR response, unless FEI has
2 reasons to keep their fulsome responses confidential.

3 **4. That said, in the past (pre 2017) what has been the prevailing agreements with**
4 **each jurisdiction (Municipality, Federal, Provincial) when it comes to FEI**
5 **relocating, upgrading, adding or removing FEI facilities and piping in Parks. This**
6 **IR can be conjoined with IR 5 below.**

7
8 **Response:**

9 FEI operates and maintains facilities in Parks under Municipal, Provincial and Federal
10 government jurisdiction. FEI has rights as a gas utility to operate in public spaces in
11 municipalities by virtue of its CPCN and the *Gas Utility Act*. FEI normally has an operating
12 agreement with municipalities that outlines processes for coordinating work and other matters.

13 Facilities under Provincial and Federal jurisdiction are protected by either a Park Use Permit or
14 Statutory Right of Way (SROW) that is registered in the Land Title Office. The Park Use Permit
15 authorizes FEI's facilities to exist; however, is silent with respect to rights to relocate, upgrade or
16 add new facilities. The SROW outlines terms for the relocating, upgrading, adding or removing
17 of FEI's facilities.

18



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 6

1 **5. In terms of Parks - Who pays for what and when, what are the cost sharing**
2 **arrangements. Please also take into consideration the 3% or 0.7% Operating Fee**
3 **structure discussed in this application for cost sharing, such as “Delivery**
4 **Margin” or “Gross Revenue”**

5
6 **Response:**

7 When a municipality requests FEI to relocate facilities located within a Park under the
8 jurisdiction of the municipality, existing operating agreements require that the municipality is
9 responsible for 100 percent of the associated relocation costs. These costs are estimated and
10 committed to in advance of the work being carried out, and the final invoice is provided to the
11 municipality after construction and costs are determined, and the invoice is based on actual
12 costs incurred.

13 The proposed operating agreement with the City of Surrey will vary from this cost responsibility
14 in that it will differentiate between gas line relocations under the jurisdiction of the BC Oil & Gas
15 Commission (i.e., gas lines operating at 100 psi or greater, and referred to as “transmission gas
16 lines”) and those under the jurisdiction of the BC Safety Authority (i.e., gas lines operating under
17 100 psi and referred to as “distribution gas lines”). The cost of relocation of transmission gas
18 lines will be equally shared 50/50 between the City of Surrey and FEI, whereas the cost of
19 relocation of distribution gas lines will continue to be entirely borne by the City of Surrey.

20 When a Provincial or Federal government requests FEI to relocate facilities located within a
21 Park under their jurisdiction, the terms of a particular Park Use Permit or SROW will apply.

22

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 7

1 **6. Given FEI’s application and the responses to the above IR’s, how does FEI expect**
2 **(hope) the Commission will take into consideration FEI’s responses to the above 5**
3 **IR’s. Please discuss the pros and cons, again within the context of Parks the cost**
4 **sharing arrangements. Please also discuss why, since these “Public Park**
5 **spaces” are not revenue sources from a capital cost sustainability point of view,**
6 **but are 100% a cost burden to each jurisdiction (and the taxpayer in each**
7 **jurisdiction).**

8

9 **Response:**

10 Gas line relocations within Parks occur infrequently, because gas lines are normally relocated
11 due to roads being widened or properties being developed. Parks are generally not subject to
12 these types of development, as are private lands, and therefore tend to be stable locations for
13 gas lines to exist. We believe the Commission will consider the benefits of FEI’s proposal for
14 gas line relocations whether within Parks or in other areas of the municipality when making its
15 decision.

16

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 8

1 **7. For clarity, will FEI please provide an executive summary that explains why Surrey**
2 **is so unique. In as much as the operating fee structure being offered by FEI to**
3 **Surrey is at 0.7%, as opposed to say 0.5% or 1.0% or 3%. In this executive**
4 **summary please include an Operating Fee table for the last 10 years, with as best**
5 **estimate FEI can for the next 3 years to 2021. For this intervener's**
6 **comprehension, please provide an Averaged Residential column.**

7
8 **Response:**

9 FEI understands this IR to be requesting three distinct responses.

- 10 1. A summary of why Surrey is unique so that an Operating Fee of 0.7 percent of Delivery
11 Margin is appropriate;
- 12 2. A summary of the Operating Fees that FEI would have collected from FEI's Surrey
13 customers, and remitted to the City of Surrey, over the last 10 years if FEI's proposed
14 Operating Fee had been in place; and
- 15 3. A summary of the Operating Fees that FEI will collect from FEI's Surrey customers, and
16 remit to the City of Surrey, for the next 3 years if FEI's proposed Operating Fee is
17 approved, and an average for residential customers.

18 For request 1, please refer to the responses to BCUC IRs 1.4.3 and 1.4.4 which describe a
19 number of factors that make Surrey different, including the differences between dense cities like
20 Surrey and the much smaller Interior and Vancouver Island municipalities that have Operating
21 Fees based on 3 percent of gross revenues. Section 3.3.3.1 of FEI's Application describes the
22 principled approach FEI used to derive the proposed Operating Fee of 0.7 percent of Delivery
23 Margin.

24 For request 2, please refer to the response to BCUC IR 1.5.3 column 6 for the estimate of
25 Operating Fees that would have been collected from FEI's Surrey customers if FEI's proposed
26 Operating Fee of 0.7 percent had been in place for the previous 10 years.

27 A response to request 3 is included below.

28 FEI has been approved to hold delivery rates (exclusive of riders) at 2016 levels for 2017¹ and
29 has proposed to hold delivery rates (exclusive of riders) at 2016 levels for 2018 in its Annual
30 Review for 2018 Rates Application. Consequently, if FEI's proposed Operating Fee were
31 approved by the Commission, the Operating Fees FEI would collect from FEI's Surrey
32 customers and remit to the City of Surrey should be similar to the amount for 2016 as noted in
33 the response to request 2 above, generally changing only by the customer growth and
34 variances in consumption in Surrey. FEI has not produced Delivery Margin forecasts for 2019
35 so FEI cannot project the potential Operating Fees that would be collected from FEI's Surrey

¹ Commission Order G-182-16.



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 9

- 1 customers if FEI's proposal is approved. However, further to the discussion in Section 3.3.3.3
- 2 of FEI's Application, FEI expects its proposed Operating Fee will be more stable and predictable
- 3 when it is based on Delivery Margin than under Surrey's proposal that relies on gross revenues.
- 4 With respect to the average impact of both FEI and Surrey's Operating Fee proposal, please
- 5 refer to the response to BCUC IR 1.5.2 which provides the average annual bill impact.
- 6

1 **8. The attached residential monthly FEI Billing, line items all charges and taxes. Will**
 2 **FEI please demonstrate using this format as to how the requested Operating Fee**
 3 **to be collected on behalf of Surrey will be tabled in the billing. And how will this**
 4 **Operating fee not be summed for the purposes of Carbon Tax, Clean Energy Levy,**
 5 **GST and PST calculations.**

ATTACHMENT FOR INFORMATION REQUEST # 8

Redacted for Personal Information Privacy

NATURAL GAS

Service address: Richard Landale
 Rate class: Residential
 Billing date: Aug 2, 2017

Customer Service: 1-888-224-2710
 7 am - 8 pm Mon - Fri, PST
 fortisbc.com

Account number	Due date	Amount due	Amount paid
[REDACTED]	Aug 24, 2017	\$111.00	

Previous Bill 111.00
 Less Payment - Thank You 111.00CR
 Balance from Previous Bill 0.00

Delivery Charges
 Basic Charge (27 days at 0.269 per unit) 11.26
 Delivery (2.45 at 4.299 per CU) 10.32
21.65

Commodity Charges
 Storage and Transport (2.45 at 0.00 per CU) 1.96
 Cost of Gas (2.45 at 2.250 per CU) 4.92
6.87

Taxes and fees
 Carbon Tax (2.45 at 1.490 per CU) 3.58
 Clean Energy Levy (0.006 of * amount) 0.11
 GST (1/6 of * amount) 1.60
53.76

Equal Payment Plan
 Monthly installment 111.00
 Status: Gas Charges to Date 895.81
 Monthly installments Billed 607.00
 Reconciliation Date: December 2017

Please pay 111.00

Give your meter space to work. Your yard might be busier than usual in summer - but your meter still needs space to work safely and efficiently. Don't build over or around your meter; don't attach anything to your meter; and keep it clear of plants, vehicles and other obstacles. For more tips, visit fortisbc.com/safemeters.

Gas usage calculation (Meter: [REDACTED])
 Present reading: Aug 2 '17 52,062
 Previous reading: Jul 4 '17 51,805
 Conversion Factor: 0.842994
 Gas used in cu ft: 2.4

Billing Period	Number of days billed	Average daily usage	Average daily usage	Total Billing period	Total Billing period
Aug 2017	29	79%	1.08	2.4	2.4
Aug 2016	31	79%	1.08	2.7	2.7

Average daily gas usage over 13 months

Payment return slip - Make cheques payable to FortisBC Natural Gas

After August 24, 2017, a late payment charge of 1.5% will be assessed.

Account number	Due date	Amount due	Amount paid
[REDACTED]	Aug 24, 2017	\$111.00	

Richard Landale
 Surrey BC [REDACTED]

POSTAL SERVICE OF CANADA
 AUG 10 2017
 SURREY, BC



FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 11

1
2 **Response:**

3 Below is a sample of a customer bill in a municipal region where an Operating Fee is collected.
4 The Operating Fee line item shows up under the "Other charges and taxes". The calculation of
5 the Operating Fee on customers' bills in the municipalities where such a fee is currently
6 collected is on the gross revenue where gross revenue is defined as Delivery Charges +
7 Commodity Charges + Operating Fee, but excludes other tax line items that appear on the
8 customer's bill. As a result, in a municipality where an Operating Fee is currently approved to
9 be collected at 3 percent, the Operating Fee line item on the customer's bill calculates to 3.09
10 percent of the Delivery Charges and Commodity Charges, as indicated on the bill shown below.
11 FEI's proposal in its Application is for the Operating Fee to be 0.7 percent of the Delivery
12 Charges (shown as Basic Charge and Delivery). If the Commission approves the collection of
13 an Operating Fee, it will be calculated on the basis that the Commission determines.

Name: ANNIE CUSTOMER
Service address: 12345 ANY STREET
DISTRICT OF SAANICH

Rate class: Residential
Billing date: Jan 2, 2017

NATURAL GAS

Customer Service: 1-888-224-2710
7 am - 8 pm Mon - Fri
fortisbc.com

Account number	Due date	Amount due	Amount paid
555555	Jan 23, 2017	\$104.82	

Previous bill	142.42	
Less payment - Thank you	142.42 CR	
Balance from previous bill		0.00
Delivery charges		
Basic charge (32 days at 0.3890 per day)	12.45	
Delivery (8.7 GJ at 5.499 per GJ)	47.84	
		60.29 **
Commodity charges		
Storage and transport (8.7 GJ at 0.811 per GJ)	7.06	
Cost of gas (8.7 GJ at 2.050 per GJ)	17.84	
		24.90 **
Other charges and taxes		
Municipal operating fee (3.09% of * amounts)		2.63 **
Carbon tax (8.7 GJ at 1.4898 per GJ)		12.96 *
Clean Energy Levy (0.40% of * amounts)		0.25
GST (5% of * amounts)		3.79
Please pay		104.82

Gas usage calculation (Meter RCT673584)

Present reading	-	Previous reading	x	Conversion factor	=	Gas used in gigajoules (GJ)
Jan 2 '17		Dec 1 '17				
9,962		9,892		0.1240801		8.7

Point of delivery: 994022

Comparison to previous year

Billing period	Number of days billed	Average daily temp.	Average daily usage GJ	Total billing period usage GJ
Jan '17	32	5°C	0.27	8.7
Jan '16	29	3°C	0.30	14.2

Average daily gas usage over 13 months

14

15

FortisBC Energy Inc. (FEI or the Company) Application for Approval of Terms for an Operating Agreement between the City of Surrey and FEI (the Application)	Submission Date: September 29, 2017
Response to Richard Landale (Landale) Information Request (IR) No. 1	Page 12

1 **9.A Will FEI please confirm or others indicate, how has FEI and Surrey been adding**
2 **prior years operating fees to residential customers in their monthly billing, if at all,**
3 **meaning: never.**

4
5 **Response:**

6 To date, FEI has not collected Operating Fees (on behalf of the City of Surrey) from FEI's
7 customers in Surrey and, therefore, no such item has been added to the bills of these
8 customers. FEI's Operating Agreement with Surrey dating back to 1957 does not entitle the
9 City to any Operating Fees at all, which is the same for every other Lower Mainland
10 municipality. The municipalities that have Operating Fees are all in the Interior and Vancouver
11 Island (the former Inland Natural Gas, Columbia Natural Gas and Centra Gas Vancouver Island
12 service territories).

13 Operating Fees are collected on behalf of the municipality, using FEI's bill as the mechanism to
14 implement the fees. FEI is only willing to entertain municipal requests for these fees where it is
15 clear that our customers will derive some benefit from paying the fee. FEI's Application
16 describes the benefits we see from agreeing to an Operating Fee with Surrey. It also describes
17 why we believe Surrey's proposal would really provide a windfall to the City at the expense of
18 our customers in that municipality.

19
20

21
22 **9.B If Customers have been paying for operating fees to FEI (on behalf of Surrey or**
23 **others wise) how has this been accounted for in the monthly residential billings.**
24 **Please demonstrate and how much has been collected for/on behalf of Surrey for**
25 **each of the last 10 years.**

26
27 **Response:**

28 Please refer to the response to Landale IR 1.9A where FEI confirms no Operating Fees have
29 been collected.

30