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August 22, 2014

**Via Email**
**Original via Mail**

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Energy Utilities (FEU)[1]**

**Common Delivery Rates Methodology Application (the Application)**

**Response to the British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1**

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On July 16, 2014, the FEU filed the Application as referenced above. In accordance with Commission Order G-105-14 setting out the Regulatory Timetable for the review of the Application, the FEU respectfully submit the attached response to BCUC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

**on behalf of the FORTISBC ENERGY UTILITIES**

***Original signed:***

Diane Roy

Attachments

cc (e-mail only): Registered Parties

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[1] Comprised of FortisBC Energy Inc. (FEI), FortisBC Energy (Vancouver Island) Inc. (FEVI, and FortisBC Energy (Whistler) Inc. (FEW).

**1.0 Reference: Application by FortisBC Energy Utilities (comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.) for Common Delivery Rates Methodology (Application)**

**Section 3.1 Flow Through of Amalgamation Savings and Costs, p. 12;**

**Commission Order G-21-14, p. 31;**

**O&M Deferral Account**

On page 31 of the Commission's Reconsideration Decision[1] (Attached to Commission Order G-21-14) the Commission Panel denies the two proposed deferral accounts for the costs of the amalgamation application and the costs of the amalgamation itself. In its reasons the Panel expressed its view that the phase-in, which was ordered for FortisBC Energy (Whistler) Inc. (FEW) and FortisBC Energy (Vancouver Island) Inc. (FEVI), will readily cover the additional costs of the amalgamation, and other cost savings will also help to defray costs, without the need for deferral.

On page 12 of the Application FortisBC Energy Utilities (FEU) acknowledge the Commission's Decision in G-21-14, but state:

> "there is <u>no practical way to use the phase-in of FEW and FEVI rates, the interest expense savings, or any other amalgamation-related savings to offset the costs of amalgamation without the use of a deferral account</u>. To implement the effect of the Commission's determination, the FEU therefore request approval of an Amalgamation Flow- Through deferral account, with the purpose of allowing FEI Amalco to match the actual amalgamation costs with the actual amalgamation savings over time. <u>This request is consistent with the FEU's interpretation of the intent of the Commission in Order G-21-14</u>. To match the timing of when the cost reductions will be realized (2015 and forward) and when the costs of amalgamation will be incurred (2014 and early 2015), a deferral account is required." [emphasis added]

1.1 Given that Order G-21-14 denied the deferral account to recover the costs of the amalgamation, please explain why FEU believe their request is consistent with the Commission's intent of in the Reconsideration Decision.

**<u>Response:</u>**

In the Reconsideration Decision, the Commission stated that the phase-in and other cost savings would help to defray the costs of amalgamation. The FEU understand that the

[1] Decision on the FEU Reconsideration of G-26-13

Commission's intent was to have the savings offset the costs. However, one of the methods the Commission brought up to achieve this (through the phase-in) is not possible with the way the phase-in has been designed. Although the Commission may have envisioned another method to achieve a phase-in that would result in savings, the phase-in as designed is revenue-neutral, and does not result in savings that are available to offset costs. Instead, it simply creates an increase in rates for some customers that is offset by a reduction in rates for other customers. Also, the "other cost savings" that the Commission referred to are not sufficient to offset the costs of amalgamation in a single year. It is not possible without a deferral account to match the costs that are incurred in one year with the savings that are realized over a number of years.

To align with what it understands to be the intent of the Reconsideration Decision, the FEU modified their original request. Whereas originally the FEU had requested an Amalgamation Costs deferral account to capture the costs of amalgamation with future recovery from customers to be determined (through amortization of the account), the current request is for an Amalgamation Flow-Through Account that will zero out over time and will allow the FEU to offset the costs of amalgamation with the cost savings from amalgamation as suggested by the Commission.

1.2 Please explain why FEU consider there is no practical way to use the phase-in of FEW and FEVI rates, the interest expense savings, or any other amalgamation-related savings to offset the costs of amalgamation without the use of a deferral account.

**<u>Response:</u>**

The FEU discusses each of the listed items separately below.

***<u>Phase-in of FEW and FEVI Rates</u>***

As discussed in the response to BCUC IR 1.1.1, the Phase-In Rider is revenue neutral and does not result in savings that could offset the costs. Designing a Phase-In Rider that would result in savings would mean that the FEU would have to "hold back" part of the rate reduction that would otherwise accrue to FEVI and FEW to offset the costs. This, however, would still require a deferral account to match the timing of when the costs are incurred (primarily 2014) and when the savings are held back from FEVI and FEW customers beginning in 2015. In addition, the result would be that FEVI and FEW customers would pay the entire cost of the amalgamation, which the Commission did not order.

***Interest Savings***

The interest expense savings are potentially sufficient to offset the costs of amalgamation in one year, but two issues remain with this approach. First, applying the interest savings against the costs of amalgamation would still require the use of a deferral account. This is because the costs of amalgamation would be incurred primarily in 2014 and interest savings will not begin to be realized until part way through 2015, when the FEVI credit facility is wound down. Second, it would not be possible to separate how much of the interest rate change year over year is due to the fact that FEVI and FEW have moved to FEI's credit facility and interest rate, and how much is due to unrelated market changes in interest rates. Since FEI has an existing Interest Variance deferral account to flow through variations in interest rates, FEI Amalco customers will benefit from reduced interest rates regardless of the source.

***Other Amalgamation-related Savings***

As discussed in the Application, the other amalgamation-related savings do offset the costs over time, but without a deferral account there is no way to avoid the temporal impacts of costs being incurred in a different period than savings are realized. If the FEU do not record the offsetting amounts in the Amalgamation Flow-Through Account, the costs and savings would be recorded as O&M and either:

1. affect the earnings sharing mechanism (assuming approval of the PBR as proposed and for the period proposed), such that half of the variance each year would be shared with customers; or

2. flow to the FEU's bottom line (assuming there is no PBR and a cost of service regime is in place where neither the costs nor savings are forecast, or there is a PBR and the Commission orders they are excluded from the earnings sharing calculation), such that the entire variance in each year accrues to the FEU.

Either of these outcomes would mean that FEI Amalco would not forecast the amalgamation impacts as an exogenous factor, contrary to what was discussed in the PBR proceeding. Refer to the response to BCUC IR 1.2.2 for a discussion of exogenous factor treatment of the amalgamation costs and savings.

1.3 Please identify how the total cost savings from the amalgamation have been, or will be, reflected in the FEI Performance Based Ratemaking (PBR) for 2014-2018.

**Response:**

As stated on page 11 of the Application, "In the opening statement that was delivered at the outset of the oral hearing in FEI's PBR Application, FEI indicated that the costs and savings related to amalgamation would be subject to exogenous factor treatment. That is, they would be flowed through outside of the PBR formula."

In FEI's current PBR Application, there are no amalgamation related costs or savings included in the 2013 Base O&M and Capital amounts, nor are the costs or savings related to amalgamation forecast in deferral accounts (except for the amalgamation application costs which are the subject of a separate request and have already been approved for FEVI in Order G-65-14). By recording the costs incurred and the savings realized in the Amalgamation Flow-Through Account, the costs and savings will not affect the PBR formula. FEI Amalco will include the annual forecast of the Amalgamation Flow-Through Account balance in its Annual Review filings.

**2.0 Reference: Application, Section 3.1, p. 11, lines 15-16**

**O&M Deferral Account & PBR**

On page 11 FEU state that "this temporary account would be discontinued once the costs of amalgamation are fully recovered."

In section 3.1.2 the annual savings from regulatory, legal and financial processes are identified as $430 thousand per year. FEU state on page 16 of the Application that "with forecast annualized savings of approximately $430 thousand, the $2.2 million costs of amalgamation are expected to be recovered over a five year period."

2.1 Given the nature of the PBR process, please explain how the specific O&M cost savings attributed to the amalgamation are going to be identified and credited to a deferral account over the next five to seven years, a period which could extend beyond the PBR period.

**Response:**

As stated on page 11, lines 11 to 13 of the Application, under FEI's proposed PBR Plan the amalgamation costs and savings would be subject to exogenous factor treatment and flowed through outside of the PBR formula. Consistent with this approach, FEI's 2013 Base O&M does not include any costs or savings related to amalgamation, so that the O&M calculated under the PBR formula does not contain any amalgamation costs or savings. Further, as proposed in the Application, to ensure that the related amalgamation costs and savings are excluded from the actual O&M that results in an earnings sharing calculation, FEI Amalco will record the actual costs and savings in the Amalgamation Flow-Through Account.

As discussed in section 3.1.2 of the Application, the savings total to approximately $430 thousand annually (stated in 2014 dollars) and include identified reductions in rating agency fees and audit fees, labour efficiencies in the Regulatory and Finance departments (i.e. elimination of two positions by mid-year 2015) and savings in other departments in the FEU. Each year, the savings that are realized will be transferred to the Amalgamation Flow-Through Account by crediting the account, with offsetting entries to FEI Amalco's O&M. The annual O&M savings recorded in the Amalgamation Flow-Through Account will be inflated by the approved PBR formula in the same way that the O&M costs are inflated. This will remove any financial impact of amalgamation savings from the O&M that is subject to the PBR formula, and remove any resulting impact on the earnings sharing calculation.

As indicated in section 3.1.1 of the Application, the FEU estimate that the costs of amalgamation of approximately $2.2 million will be recovered over a five year period. Once the costs have been fully recovered and the balance in the Amalgamation Flow-Through Account reaches zero, the Amalgamation Flow-Through Account would be discontinued with any remaining ongoing annual savings forecast in O&M as part of the next Revenue Requirement

Application. For example, if there is a $300 thousand balance remaining in the Amalgamation Flow-Through Account at the end of the PBR Period (2018), and FEI Amalco filed a cost of service application for 2019, FEI Amalco would forecast an additional $300 thousand credit to the Amalgamation Flow-Through Account in 2019 (along with a corresponding charge to O&M) such that the 2019 O&M forecast would include only the net savings after recovery of the $300 thousand. Any cost of service O&M forecasts for 2020 forward would include the full savings from amalgamation.

2.2 The amalgamation costs will be incurred in a single year while the annualized savings of $430 thousand are expected to offset these costs by the end of five years. In FEU's view, does this sharing of expenses and savings function better in a PBR as part of formula O&M or as deferred costs and savings? Please explain.

**Response:**

It is most appropriate to treat these costs and savings as an exogenous factor. There are two ways to reflect the exogenous factor treatment. One is the Amalgamation Flow-Through Account treatment as proposed by the FEU. The second is flowing through the costs and savings outside of the O&M formula on an annual basis throughout the PBR Period (adding $2.2 million to the O&M flowed through outside the formula for 2014/2015 and removing $430 thousand from the O&M flowed through outside the formula starting in mid-2015).

Given the specific nature of the amalgamation costs and savings and the desire to ensure that the cost reductions will offset the costs of amalgamation, a deferral account for capturing deferred costs and savings is better matches the actual amalgamation costs with the actual amalgamation savings over time with little or no rate impact (limited only to the forecast return on the net-of-tax balance in the Amalgamation Flow-Through Account). This treatment will also ensure that only the actual costs and actual savings are recognized, versus an approach that relies on forecast costs and savings adjusted outside of the O&M formula.

Due to the timing of when costs are incurred as compared to when savings are realized, the FEU do not foresee a reasonable way to incorporate the costs and savings into the formula itself.

**3.0 Reference: Application, Section 3.1 Flow Through of Amalgamation Savings and Costs, p. 13**

**O&M Deferral Account – Cost Increase for Communications**

The current forecast of amalgamation costs are delineated on page 13 of the Application. The total cost of $2.2 million is $150,000 greater than the costs forecast in the original application. An additional $500,000 is estimated for Communications and Media to inform customers about common rates and explain the new bills to customers, including a change in terminology from "midstream" to "storage and transportation."

3.1 Please provide a detailed breakdown of the Communications and Media plan and a cost allocation of the $500,000 to those plan components.

**Response:**

The FEU note that, in total, $500,000 is required for customer communications and not "an additional $500,000" as indicated in the preamble to this question.

The following table provides a detailed breakdown of the activities/resources required for the Communications and Media plan to ensure customers are informed about common rates and that customers on Vancouver Island, Sunshine Coast and Whistler understand their new bill.

| Activity / Resource Required | Hrs | $ |
|---|---|---|
| Writing resource | 180 | 9,900 |
| Design resource | 180 | 9,900 |
| Coordinator resource | 125 | 6,875 |
| Digital resource | 85 | 4,675 |
| Street team resource | 160 | 8,800 |
| Events | | 6,400 |
| Bill insert | | 139,500 |
| Paid media print | | 145,550 |
| Paid media radio | | 90,000 |
| Paid media digital | | 75,400 |
| Info sheet or info card | | 3,000 |
| Total | 730 | $500,000 |

***Resourcing Costs:***

The hours noted represent incremental resources required to work on amalgamation communication activities. It is anticipated that the amalgamation communication activities will be undertaken by existing employees with their time charged to the Flow-Through Account.

However, these employees will be backfilled by external contractors to ensure day-to-day communications activities are not impacted.

***<u>Event Costs:</u>***

This includes participating in community events and home shows on Vancouver Island, Whistler and Sunshine Coast where the costs of the event will be shared with other FEU departments who may be also sponsoring the event. The costs outlined here represent the amalgamation project's share of the different community events' total cost.

***<u>Bill Insert Costs:</u>***

Included in the various planned activities is the use of multiple (three to four) bill inserts over the coming months. The bill inserts will provide general information about the amalgamation initiative, information on new customer rates and the new bill format, and information about new common services being offered to FEVI and FEW customers.

***<u>Paid Media Costs:</u>***

The strategy for paid media is to use a mix of print, digital and radio that will run from late October 2014 through to February 2015. These are communication channels that can work together to drive awareness and highlight the visual of the new bill layout. The costs provided for each of the paid media outlined are estimates only with the final costs dependent upon the size of the ad and the number of publications used during the period from October 2014 to February 2015. Actual costs will be available when the specifics are finalized upon booking of the different media chosen.

- <u>Print ad</u> costs include a minimum half page full colour ad with a focus on publications on Vancouver Island, Whistler and Sunshine Coast.
- <u>Radio ad</u> costs include 30 second spots to inform listeners that changes will be happening January 2015 and they can visit the fortisbc.com (www.fortisbc.com/commonrates) website for more detailed information.
- <u>Digital ads</u> provide an opportunity for engagement on the FortisBC website driving traffic to the dedicated amalgamation web page on fortisbc.com (www.fortisbc.com/commonrates). The digital ad size will vary pending the specific requirements for each website the ads are purchased to be advertised on. High reaching digital sites geotargeted to Vancouver Island, Whistler and Sunshine Coast will be used.

***<u>Info Sheet or Info Card:</u>***

Info cards containing information about amalgamation will be used as a take-a-way piece for customers when asking questions about amalgamation. It will be used at events and other places where FEU staff will interact with customers face to face. A minimum of 3,000 info sheets or info cards are budgeted with the final number produced dependent on the size.

3.2 Please confirm, or otherwise explain, that these Communication and Media costs are a new expense that was not previously approved in the Amalgamation Decision.

**<u>Response:</u>**

Not confirmed. These costs were forecast in the 2012 Application, but were neither approved nor denied in the Amalgamation Decision.

In the 2012 Application, the FEU requested approval of both an Amalgamation Costs deferral account and an Amalgamation and Rate Design Application Costs deferral account (see item k in Appendix K-2 to the 2012 Application). The Communications and Media costs were originally forecast in the Amalgamation and Rate Design Application Costs deferral account. When the Commission denied the amalgamation and adoption of common rates in Order G-26-13, the Amalgamation Decision did not address the FEU's request for the Amalgamation and Rate Design Application Costs deferral account.

Accordingly, the FEU requested approval of the same Amalgamation and Rate Design Application Costs deferral account in FEI's PBR Application filed in June of 2013 and in FEVI's RRA filed in September of 2013. With these more recent requests, the FEU excluded the Communications and Media costs from the forecast for the account because these costs would only be incurred in a situation where the FEU was approved to amalgamate and, at the time of filing, approval for amalgamation had not been received. In Order G-65-15 the requested deferral account was approved for FEVI, while FEI's PBR Decision is pending.

The FEU are now requesting approval of the Amalgamation Flow-Through Account to include, amongst other things, the Communications and Media costs that had originally been forecast in the Amalgamation and Rate Design Application Costs deferral account. In total, the costs of the two accounts together are now estimated at $3.9 million ($1.7 million actual costs for the Amalgamation and Rate Design Application costs deferral account and $2.2 million for the Amalgamation Flow-Through Account). This compares to the original request in the 2012 Application which was $3.5 million ($1.5 million for the Amalgamation and Rate Design

Application costs deferral account and $2.0 million for the Amalgamation Costs deferral account). The main driver of the $400 thousand cost increase is the Reconsideration process, the costs of which were recorded in the Amalgamation and Rate Design Application Costs deferral account.

3.2.1 Please explain why FEU did not include these Communication and Media costs in the original cost estimate? What has changed?

**Response:**

Please refer to the response to BCUC IR 1.3.2.

3.3 If the Communications and Media are new expenses, please confirm, or otherwise explain, that the Panel for this Application can determine the level of costs that can be recovered and whether those costs should be deferred or expensed.

**Response:**

As described in the response to BCUC IR 1.3.2, these costs were previously forecast as a component of the Amalgamation and Rate Design Application Costs deferral account. The recovery and treatment of these costs are now subject to determination by the current Panel in this Application. As discussed in the response to BCUC IR 1.3.1, the costs for Communication and Media are required and integral to the successful transition to common rates and as such are costs that should be recoverable from customers.

3.4 Please explain if any of the proposed Communications and Media plan is associated with reinforcing the FortisBC "Brand."

**Response:**

The proposed Communications and Media plan is not associated with reinforcing the FortisBC "Brand". The purpose of the proposed communications plan is to ensure customers have an understanding of why amalgamation is occurring and understand changes to their bill and their rates, as well as new services. Region-specific communications will be developed to address the regional differences that customers will see during the transition period. The transition to common rates over a three-year period has added an additional level of complexity to the communications.

> "The customer communication approach and messages will initially be generic to all customers and become more region specific closer to January 1, 2015. Education around the new bill format will occur in the Fall of 2014. Communications will include the use of bill inserts, paid and social media, news releases, fortisbc.com and community relations." (Application, p. 14)

3.5 Please explain why advising current FEVI and FEW customers of the new changes, including how to read their new (lower) bills and advising all customers of the new changes, including the change of the FEI billing line title from "Midstream" to "Storage and Transportation," can't simply be done as part of the existing monthly bill insert process. For the communication that is not via a bill insert, please explain the method chosen and why it is necessary, and justify the costs associated with it.

**Response:**

As discussed below, FEI is planning on using bill inserts as part of its Communications and Media plan, but also other channels of communications in order to ensure that the communications are effective.

Included in the planned activities is the use of multiple bill inserts in the latter part of 2014 and early 2015. Given the significance and the uniqueness of the amalgamation impacts on FEVI and FEW customers, specific bill inserts will be created to deliver messaging related to the amalgamation initiative. The bill inserts will provide general information about the amalgamation initiative, information on new customer rates and the new bill format, and information about new common services being offered to FEVI and FEW customers. As indicated in the Application, the FEU will be taking the opportunity as part of the overall communication activities to clarify to its FEI customers the billing line title change from "Midstream" to "Gas Storage and Transportation".

Bill inserts are created and used as a channel for communicating messages related to specific business initiatives (e.g. safety, energy conservation), with the timing of the bill inserts dependent on the requirements of the business initiative sponsoring the communication and the incremental funding for the bill insert provided for by the business initiative. There is no monthly bill insert scheduled by any other business initiatives in the remaining months of 2014 which can be leveraged by the amalgamation initiative. Accordingly, the costs of the planned bill inserts are incremental.

While the FEU plan on using bill inserts, relying solely on one communication channel at one point in time would limit the number of customers who view the message that is being sent, minimizing its effectiveness. By using multiple communication channels up front, this should increase the number of customers receiving the information they need and increase customers' understanding of the changes. FEU's communications plan for amalgamation incorporates effective communication practices to communicate early and often using a variety of communication channels, as customers have different preferences as to how they receive information. Additionally, proactive communications will help prevent customer confusion which could lead to increased customer service costs at a later time.

The following are the resources identified to help carry out this objective as well as some examples of channels to be used to communicate amalgamation messages:

- Writing, Design, Coordinator, Digital and Street Team resources are resources accounted for in the budget to execute the Communications and Media plan.
- Events: Participate in select community events in FEVI and FEW service territories where customers have the opportunity to ask FortisBC representatives questions about common rates. The opportunity to speak to customers face-to-face is always a more personable approach and provides the opportunity to answer their questions directly. Given amalgamation has various components to the message (new bill, new rates over time, new service options like RNG, etc.) having a face-to-face discussion is a definite advantage.
- Paid media (print, radio and digital): These additional communication channels will help to reach more customers than what can be accomplished at community events. The paid media works together to drive awareness and highlight the visual of the new bill layout, call to action being to go to fortisbc.com/commonrates for more info. Including paid media is an integrated communications approach, acting as a reminder for those who happened to speak to us at an event, or an initial prompter to go to the website for those who didn't speak to us at an event. Also, the radio will coincide with the bill insert and will be a reminder to check your bill for information about amalgamation and the changes in January 2015.

- Info sheet or card: This can be used when FortisBC representatives are talking one-on-one with customers and stakeholders and as a take-a-way piece containing information to help answer questions about the amalgamation initiative.
- Web content: All communications will refer customers to the fortisbc.com website. The website will be the central location for the most up-to-date and comprehensive information about common rates.
- Social media, such as Twitter, is also a valuable communication avenue.

There are no incremental costs for web content or social media. For further information on the costs of the other communication resources refer to the response to BCUC IR 1.3.1.

**4.0 Reference: Application, Section 4.1 Calculation of the Amalgamated Cost of Service**

**2014 forecasts by utility**

This Application was filed on July 16, 2014.

4.1 Please explain why the financials, for FortisBC Energy Inc. (FEI), FEVI and FEW, presented in Appendices B are only as current as Forecast 2013 and not Actual 2013 for comparison to the Forecast 2014.

**Response:**

As stated on page 17 of the Application, the financial schedules filed in Appendix B are the same ones that had been filed in the proceedings that requested approval of 2014 delivery rates for the three utilities. In the case of FEI, the financial schedules filed did include some updated 2013 actual information (specifically O&M expense, closing deferral account balances and capital additions). The FEU did not update the 2013 Actual information in Appendix B because the calculation of 2014 common rates and the Phase-In Riders to be applied over the subsequent three years is based entirely on the approved 2014 cost of service and not on the 2013 Actual information. The FEU therefore included the 2014 forecast financial information in its Application that was filed for approval with the Commission. It is ultimately the approved 2014 financial schedules that will be used to determine the common delivery rates. As stated on page 3 of the Application:

> *"As part of the compliance filings following the PBR Decision, the FEU will file updated 2014 financial schedules for FEI, FEVI, FEW and the Amalgamated Entity. In the Annual Review process to set delivery rates for 2015, FEI Amalco will use the updated financial schedules for the Amalgamated Entity to calculate the 2015 deficiency or surplus at existing 2014 rates (and the resulting 2015 common delivery rates)."*

4.2 Please explain when the revised 2014 forecasts by utility will be completed, whether the 2013 Actual and 2014 Approved will be included with those forecasts, and how accurate those forecast financials will be. For example, how many months of actual 2014 results will be reflected in the revised 2014 forecasts by utility?

**Response:**

The FEU will not be filing a new 2014 Forecast, but will update the 2014 forecast financial information to reflect the 2014 Approved as determined in the PBR Decision (which is expected to have implications for each of FEI, FEVI and FEW).

The FEU do not expect that these updates will have a material impact on the deficiency upon amalgamation and common rates, because the key component of the deficiency calculation is the differential between FEI and FEVI rates. A very significant change in the FEI delivery rate would be required to have a material impact on the deficiency upon amalgamation. For example, a 10 percent change in the FEI Residential delivery rate is equivalent to an approximate change in the deficiency upon amalgamation of $1.6 million or approximately 0.2 percent to the common delivery rates.

FEI Amalco's 2015 Delivery Rate Application will include 2014 projections for comparison and will include 2013 actuals and as much actual data from 2014 as possible based on the timing of when that application will be filed. As discussed in the response to BCUC IR 1.4.1, 2014 delivery rates are based on approved and not actual data. While the updating of 2013 and 2014 actuals provides additional information, and can affect 2015 cost of service for those items that are impacted by opening rate base values, it does not affect the deficiency upon amalgamation.

4.3 Please explain how material each of the three specific utility forecasts are to the common delivery rate methodology results.

**Response:**

This response also addresses BCUC IR 1.4.4.

As explained in the response to BCUC IR 1.4.2, FEI will calculate the approved 2014 delivery rates based on the outcome of the PBR Decision. These delivery rates will be the basis from which the deficiency upon amalgamation will be calculated. Since these delivery rates are based on FEI's costs, FEI's delivery revenues and costs offset and so FEI contributes zero dollars to the deficiency. As such, the deficiency upon amalgamation is primarily made up of the difference between FEVI and FEW delivery cost of service and their respective volumes at FEI (PBR) approved rates.

FEI's costs make up 82 percent of the overall costs. However, as explained above, any PBR approved changes to FEI's costs will be reflected in FEI's delivery rates so that FEI does not contribute to the deficiency upon amalgamation.

If FEVI's total approved delivery cost of service for 2014 was 5 percent higher, the common delivery rate deficiency would increase by approximately 11 percent to $63.3 million (the opposite effect would occur if FEVI's delivery cost of service was 5 percent lower).

If FEW's total approved delivery cost of service for 2014 was 5 percent higher, the common delivery rate deficiency would increase by approximately 1 percent to $57.4 million (the opposite effect would occur if FEW's delivery cost of service was 5 percent lower).

If all three utilities' delivery cost of service was 5 percent higher, then the deficiency upon amalgamation would increase by approximately 5 percent to $60.0 million. The increase in costs would result in an increase in FEI's delivery rates (which reduces the revenue deficiency as FEVI's and FEW's costs would be closer to FEI's higher delivery rates).

The FEU have updated the 2015 column of the two Tables 4-17 and 4-18 assuming that the total approved delivery cost of service for all three utilities is 5 percent higher than what has been included in Appendices B1 through B3. The starting FEI delivery rates will also increase 5 percent as they will mirror FEI approved costs and the deficiency upon amalgamation will be predominantly made up of the difference between FEVI and FEW delivery cost of service (increased by 5 percent) and FEVI and FEW volumes at FEI Rates (also increased by 5 percent). Tables 4-17 and 4-18 would show opposite results for 2015 for decreases in the delivery cost of service of 5 percent for the three utilities.

1 **Table 4-17: Total Delivery Rate Impacts by Rate Schedule**

| | 2015 |
|---|---|
| Residential (RS 1): | |
| FEVI RGS | 0.1% |
| FEW SGS RES | 0.1% |
| FEI | 0.5% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.1% |
| FEVI SCS 2 | 0.1% |
| FEVI LCS 1 | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI AGS | 0.1% |
| FEW SGS COM | 0.1% |
| FEW LGS1 | 0.1% |
| FEI | 0.5% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.1% |
| FEVI LCS 1 | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI HLF | 0.0% |
| FEVI ILF | 0.1% |
| FEW LGS2 | 0.1% |
| FEW LGS3 | 0.1% |
| FEI | 0.5% |
| Industrial (RS 5): | |
| FEVI AGS | 0.2% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.2% |
| FEVI HLF | 0.1% |
| FEVI ILF | 0.2% |
| FEI | 0.2% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.2% |
| FEI | 0.3% |
| Other | |
| FEI RS4 | 0.4% |
| FEI RS6 | 0.5% |
| FEI RS7 | 0.4% |
| FEI RS27 | 0.5% |
| FEI RS22 | 0.4% |
| FEI RS23 | 0.5% |

2

1 **Table 4-18: Estimated Annual Bill Impacts by Rate Schedule**

| | 2015 |
| --- | --- |
| Residential (RS 1): | |
| FEVI RGS | 0.1% |
| FEW SGS RES | 0.1% |
| FEI | 0.2% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.0% |
| FEVI SCS 2 | 0.0% |
| FEVI LCS 1 | 0.0% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI AGS | 0.1% |
| FEW SGS COM | 0.0% |
| FEW LGS1 | 0.0% |
| FEI | 0.2% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.1% |
| FEVI LCS 1 | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI HLF | 0.0% |
| FEVI ILF | 0.1% |
| FEW LGS2 | 0.0% |
| FEW LGS3 | 0.0% |
| FEI | 0.2% |
| Industrial (RS 5): | |
| FEVI AGS | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI HLF | 0.1% |
| FEVI ILF | 0.1% |
| FEI | 0.1% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.2% |
| FEI | 0.4% |
| Other | |
| FEI RS4 | 0.1% |
| FEI RS6 | 0.2% |
| FEI RS7 | 0.1% |
| FEI RS27 | 0.5% |
| FEI RS22 | 0.4% |
| FEI RS23 | 0.5% |

2

4.4 Please present an analysis, assuming delivery costs for all three utilities are 5 percent more or less than forecast, and show how those two scenarios would change the results in Tables 4-17 and 4-18 for 2015.

**Response:**

Please refer to the response to BCUC IR 1.4.3.

4.5 Please present an analysis assuming the amount of the RSDA is 2.0 percent higher or lower than the forecast $88.94 million, and show how those two scenarios would change the results in Tables 4-17 and 4-18 for 2015.

**Response:**

Adjusting the RSDA by +/- 2 percent has a very small impact to rates for existing FEI customers. Please note that only customers in FEI's service area are affected as the RSDA Rider is not applied to Vancouver Island and Whistler customers.

Below are copies of Tables 4-17 and 4-18 showing the incremental change to 2015 rates from a 2 percent increase to the RSDA ($88.94 million x 1.02 = $90.72 million). A 2 percent decrease to the RSDA would have the same impact but the amounts shown would be increases rather than decreases. FEI has presented the table to 3 decimal places for greater accuracy.

**Table 4-17: Total Delivery Rate Impacts by Rate Schedule**

| | 2015 |
|---|---|
| Residential (RS 1): | |
| FEVI RGS | 0.000% |
| FEW SGS RES | 0.000% |
| FEI | -0.118% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.000% |
| FEVI SCS 2 | 0.000% |
| FEVI LCS 1 | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI AGS | 0.000% |
| FEW SGS COM | 0.000% |
| FEW LGS1 | 0.000% |
| FEI | -0.118% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.000% |
| FEVI LCS 1 | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI HLF | 0.000% |
| FEVI ILF | 0.000% |
| FEW LGS2 | 0.000% |
| FEW LGS3 | 0.000% |
| FEI | -0.119% |
| Industrial (RS 5): | |
| FEVI AGS | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI HLF | 0.000% |
| FEVI ILF | 0.000% |
| FEI | -0.186% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.000% |
| FEI | -0.242% |
| Other | |
| FEI RS4 | -0.100% |
| FEI RS6 | -0.119% |
| FEI RS7 | -0.103% |
| FEI RS27 | -0.118% |
| FEI RS22 | -0.100% |
| FEI RS23 | -0.125% |

1 **Table 4-18: Estimated Annual Bill Impacts by Rate Schedule**

| | 2015 |
| --- | --- |
| Residential (RS 1): | |
| FEVI RGS | 0.000% |
| FEW SGS RES | 0.000% |
| FEI | -0.055% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.000% |
| FEVI SCS 2 | 0.000% |
| FEVI LCS 1 | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI AGS | 0.000% |
| FEW SGS COM | 0.000% |
| FEW LGS1 | 0.000% |
| FEI | -0.047% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.000% |
| FEVI LCS 1 | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI HLF | 0.000% |
| FEVI ILF | 0.000% |
| FEW LGS2 | 0.000% |
| FEW LGS3 | 0.000% |
| FEI | -0.040% |
| Industrial (RS 5): | |
| FEVI AGS | 0.000% |
| FEVI LCS 2 | 0.000% |
| FEVI LCS 3 | 0.000% |
| FEVI HLF | 0.000% |
| FEVI ILF | 0.000% |
| FEI | -0.031% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.000% |
| FEI | -0.123% |
| Other | |
| FEI RS4 | -0.027% |
| FEI RS6 | -0.049% |
| FEI RS7 | -0.021% |
| FEI RS27 | -0.118% |
| FEI RS22 | -0.100% |
| FEI RS23 | -0.125% |

2

3

## 5.0 Reference: Application, Section 4.1.1.4 FEVI Cost of Gas

**Impact of proposed accounting change**

This proposed change to the FEVI company use gas impacts FEVI transportation customers.

5.1 Please explain how the company use gas is recovered in rates (pre-amalgamation) for FEVI and FEI transportation customers, and how that recovery is proposed to change.

**Response:**

For FEI, company use gas is included as an O&M cost which constitutes part of the delivery cost of service, therefore FEI company use gas is recovered from all non-bypass customers through delivery rates.

For FEVI, company use gas is included as a component of gas costs. Company use gas is recovered from Sales customers as part of the gas cost recovery charge. Transportation Service customers provide gas in kind for their company use gas requirements. FEVI Transportation Service customers comprise the LCS-13 rate schedule customers and four transportation customers that have special contracts, namely the Vancouver Island Gas Joint Venture (Joint Venture), BC Hydro and Power Authority (BC Hydro/ICP), FEI (Squamish wheeling agreement), and FEW (Whistler wheeling agreement).

Post amalgamation, the Squamish and Whistler wheeling agreements will be discontinued. The Joint Venture and BC Hydro/ICP will continue to be required to provide gas in kind until such time that their contracts are modified. Since FEI Amalco will adopt FEI's method of accounting for company use gas and Vancouver Island Sales and LCS-13 rate schedule customers will move to rate schedules based on the existing FEI tariffs, these former FEVI customers will pay their share of company use gas through their delivery rates.

5.2 Please provide, for each FEVI transportation rate class impacted, the materiality of the company gas use change on the specific rate class in the proposed Common Delivery Rates Methodology.

**Response:**

Under both the existing rates and FEI Amalco's common rates, all non-bypass customers contribute to the recovery of company use gas. There is no change in the total company use gas requirements as a result of amalgamation; however, the establishment of common rates does result in some changes in how those costs are allocated for rate setting purposes as discussed below.

As stated in the response to BCUC IR 1.5.1, the FEI company use gas requirements are treated as an O&M cost item and recovered from both Sales and Transportation Service customers via delivery rates. For FEVI, however, company use gas requirements are treated as a component of cost of gas. More specifically, the company use gas related to FEVI's Sales customers is recovered as a component of the gas cost rate whereas company use gas related to FEVI's Transportation Service customers is provided to FEVI as gas in kind by the Transportation Service customers.

A common approach to the treatment of company use gas for the amalgamated entity is required in order to provide common rates, with the existing FEI treatment being the most appropriate. Adoption of the existing FEI approach for company use gas will facilitate a smooth roll out of the full transportation service model to the Vancouver Island and Whistler service areas.

The FEVI customers currently on the Sales rate schedules will continue to pay for company use gas as a component of their rates, as they do today; however effective January 1, 2015 the company use gas will be a component of their unbundled, common delivery rate regardless of whether they remain a Sales rate class customer or migrate to a Transportation Service rate class. Although the value of the contributions at the rate schedule level will vary from those calculated using the current rates to those calculated based on the common rates, the variations are expected to be minimal.

Only those FEVI customers currently on the LCS-13 Rate Schedule will see a change since they will no longer have to provide gas in kind because the cost of company use gas will be a component of the common delivery rates effective January 1, 2015. Refer to the tables provided in the response to BCUC IR 1.5.3 for the delivery rate and annual bill impacts of the change for each rate schedule. For former LCS-13 Rate Schedule customers, the delivery rate increase is offset by the fact that they no longer have to provide gas in kind.

5.3 Please provide the resulting differential to the affected results in Tables 4-17 and 4-18 for 2015 between the existing process and the proposed process.

**Response:**

The following tables show the impact to the 2015 rates provided in Tables 4-17 and 4-18 from reclassifying FEVI company use gas from cost of gas to O&M. Note that, as shown below, there are no annual bill impacts to sales customers, since the increase in O&M is offset by a decrease in cost of gas.

**Table 4-17: Total Delivery Rate Impacts by Rate Schedule**

| Total Delivery Rate Impacts | |
|---|---|
| | 2015 |
| Residential (RS 1): | |
| FEVI RGS | 0.0% |
| FEW SGS RES | 0.0% |
| FEI | 0.3% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.0% |
| FEVI SCS 2 | 0.0% |
| FEVI LCS 1 | 0.0% |
| FEVI LCS 2 | 0.0% |
| FEVI LCS 3 | 0.0% |
| FEVI AGS | 0.1% |
| FEW SGS COM | 0.0% |
| FEW LGS1 | 0.0% |
| FEI | 0.2% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.1% |
| FEVI LCS 1 | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI HLF | 0.0% |
| FEVI ILF | 0.1% |
| FEW LGS2 | 0.0% |
| FEW LGS3 | 0.0% |
| FEI | 0.2% |
| Industrial (RS 5): | |
| FEVI AGS | 0.1% |
| FEVI LCS 2 | 0.1% |
| FEVI LCS 3 | 0.1% |
| FEVI HLF | 0.1% |
| FEVI ILF | 0.1% |
| FEI | 0.2% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.1% |
| FEI | 0.2% |
| Other | |
| FEI RS4 | 0.2% |
| FEI RS6 | 0.2% |
| FEI RS7 | 0.3% |
| FEI RS27 | 0.3% |
| FEI RS22 | 0.2% |
| FEI RS23 | 0.3% |

1 **Table 4-18: Estimated Annual Bill Impacts by Rate Schedule**

| Estimated Annual Bill Impacts | 2015 |
|---|---|
| Residential (RS 1): | |
| FEVI RGS | 0.0% |
| FEW SGS RES | 0.0% |
| FEI | 0.0% |
| Small Commercial (RS 2): | |
| FEVI SCS 1 | 0.0% |
| FEVI SCS 2 | 0.0% |
| FEVI LCS 1 | 0.0% |
| FEVI LCS 2 | 0.0% |
| FEVI LCS 3 | 0.0% |
| FEVI AGS | 0.0% |
| FEW SGS COM | 0.0% |
| FEW LGS1 | 0.0% |
| FEI | 0.0% |
| Large Commercial (RS 3): | |
| FEVI AGS | 0.0% |
| FEVI LCS 1 | 0.0% |
| FEVI LCS 2 | 0.0% |
| FEVI LCS 3 | 0.0% |
| FEVI HLF | 0.0% |
| FEVI ILF | 0.0% |
| FEW LGS2 | 0.0% |
| FEW LGS3 | 0.0% |
| FEI | 0.0% |
| Industrial (RS 5): | |
| FEVI AGS | 0.0% |
| FEVI LCS 2 | 0.0% |
| FEVI LCS 3 | 0.0% |
| FEVI HLF | 0.0% |
| FEVI ILF | 0.0% |
| FEI | 0.0% |
| Transportation (RS25) | |
| FEVI LCS 13 | 0.1% |
| FEI | 0.2% |
| Other | |
| FEI RS4 | 0.0% |
| FEI RS6 | 0.0% |
| FEI RS7 | 0.0% |
| FEI RS27 | 0.3% |
| FEI RS22 | 0.2% |
| FEI RS23 | 0.3% |

2

5.4 Please explain if this proposed change to FEVI company use gas would more properly be adjusted following the next rate design process in 2016.

**Response:**

No, the proposed change to harmonize the treatment of company use gas should occur at the time of amalgamation. That is, effective January 1, 2015 there will be only one company and thus there should be only one calculation of company use gas. The added complexity of accounting for company use gas on a regional basis in order to maintain historical practices until the 2016 rate design application is not efficient, is unnecessary and is not aligned with the intent of amalgamation and common rates.

The treatment of company use gas for the amalgamated entity may be a subject that the Company identifies for review in the 2016 rate design process.

**6.0 Reference: Application, Section 4.3 Calculating the Revenue Deficiency**

**Reasons for the revenue deficiency of $57.020 million**

6.1 Please provide an expanded Table 4-8, on page 27 of the Application, to include a column showing the delivery revenues using the existing FEI, FEVI and FEW 2014 rates.

**Response:**

The final column in the table below represents Delivery Revenues for FEI at FEI's proposed 2014 rates, for FEVI at existing FEVI rates and FEW at existing FEW rates.

| | Delivery Revenues | |
|---|---|---|
| | **At FEI Rates** ***($ thousands)*** | **At FEI, FEVI FEW 2014 Rates** ***($ thousands)*** |
| Delivery Revenues | | |
| FEI | $ 613,367 | $ 613,367 |
| FEVI | 71,538 | 121,281 |
| FEW | 2,502 | 7,644 |
| Elimination (6) | (2,507) | |
| Elimination (8) | (417) | |
| Amalgamated Delivery Revenues | 684,484 | 742,292 |
| Amalgamated Delivery Cost of Service | 741,504 | 741,504 |
| (Deficiency) | $ (57,020) | $ 788 |

The Surplus of $788 thousand is made up of the items shown in the table below. Since FEVI and FEW's rates do not equal their cost of service, the deficiencies are the main reconciling item. There is a small surplus showing between FEI's revenues and cost of service due to the effect of rounding delivery rates to three decimal places. In addition, any adjustments made to the delivery cost of service in Table 4-1 need to be made to reconcile the totals.

| | | **Reconciliation** ***($ thousands)*** |
|---|---|---|
| Existing Deficiencies/Surpluses | | |
| FEI Surplus | $ | 130 |
| FEVI Deficiency | | (4,839) |
| FEW Deficiency | | (262) |
| Consolidation Adjustments to Delivery Cost of Service | | |
| Elimination (6) | | 2,507 |
| Elimination (9) | | (1,535) |
| Amalgamation Adjustment (11) | | 62 |
| Amalgamation Adjustment (12) | | 4,724 |
| **Total** | **$** | **787** |

6.2 Please explain the key drivers for the remaining portion of the $57 million deficiency, after using the existing FEVI and FEW 2014 rates.

**Response:**

Please refer to the response to BCUC IR 1.6.1.

**7.0 Reference: Application, Section 4.4 Calculating Common Delivery Rates by Rate Schedule**

**Consolidated volume by FEI rate schedule**

7.1 Please provide the consolidated volume by FEI rate schedule after the mapping of FEVI and FEW to FEI rate schedules. For example, the forecast amalgamated volume from Rate Schedule 1 is shown as 74,028.8 TJ on page 28 of the Application.

**Response:**

The table below shows the forecast 2014 amalgamated volumes by rate schedule. This same information can be found on schedules 5 and 6 of Appendix A.

| Rate Schedule: | Terajoule |
| --- | ---: |
| **Non-Bypass** | |
| RS1 - Residential | 74,028.8 |
| RS3 - Small Commercial | 27,482.1 |
| RS3 - Large Commercial | 19,716.2 |
| RS23 - Large Commercial | 8,721.3 |
| RS4 - Seasonal | 169.1 |
| RS5 - General Firm | 3,305.4 |
| RS25 - Firm Service | 13,357.0 |
| RS7 - Interruptible | 86.7 |
| RS27 - Interruptible Service | 6,476.3 |
| RS6 - N G V Fuel - Stations | 61.4 |
| RS22 - Firm Service | 13,188.4 |
| RS22 - Interruptible Service | 15,822.0 |
| RS16 - Liquefied Natural Gas (LNG) | 165.0 |
| RS46 - Liquefied Natural Gas (LNG) | 277.7 |
| Total Non-Bypass | **182,857.4** |
| **Bypass and Special Rates** | |
| RS22 - Firm Service | 6,553.2 |
| Byron Creek (aka Fording Coal Mountain) | 176.6 |
| Burrard Thermal - Firm | 482.5 |
| BC Hydro and ICP | 14,600.0 |
| VIGJV | 4,380.0 |
| RS25 - Firm Service | 837.3 |
| **Total Bypass and Transportation** | **27,029.6** |
| **Total** | **209,887.0** |

**8.0 Reference: 4.5.1 Forecast Balance of the RSDA;**

**Order G-65-14 – Approval of FEVI 2014 Revenue Requirement and Rates**

**Forecast RSDA Balance and Distribution**

8.1 Please confirm, or otherwise explain, the amount $97,737 in Figure 4.1 should be $95,737 and this apparent typo has no impact on the rest of the Application.

**Response:**

Confirmed.

"FEVI is directed to reduce its 2014 forecast for Transportation Demand Charges by $495 thousand." (Order G-65-14)

"Finally, the 2014 forecast GCVA balance is adjusted for the disallowance of $495 thousand from the approved cost of gas in Order G-65-14." (Application, p. 29)

8.2 Please provide the financial schedule that confirms the FEVI transportation demand charges of $495 thousand disallowed in Order G-65-14 should be added back. Please include the details of all related assumptions.

**Response:**

The FEU interpret the question to be asking to provide the financial schedules included with this Application that show the $495 thousand reduction to Transportation Demand Charges. As shown on Schedule 4 of Appendix B2, the cost of gas of $65,837 million is $495 thousand less than the cost of gas of $66,331 million as provided on Schedule 4 of Exhibit B-7 in the 2014 FEVI RRA Application (dated January 10, 2014).

The Transportation Demand Charges are a component of the cost of gas related to tolls set by Spectra for service on its T-South System. The reduction to the approved Transportation Demand Charges means that the approved cost of gas is lower but the forecast remains the same since FEVI still expects to incur the higher transportation demand charges from Spectra. Since the GCVA captures variances from the approved cost of gas, the higher forecast transportation demand charges result in an addition to the GCVA. The GCVA balance will be updated in the Q4 gas cost report to the Commission and the balances will be reviewed at that time.

"Therefore, the total balance to be returned to non-bypass customers in the current FEI service area over a three year period is forecast at $88.940 million …" (Application, pp. 29-30).

8.3 Please confirm, or otherwise explain, that the RSDA balance is allocated by the proposed methodology only to non-bypass customers in the current FEI "Mainland" service area and not to any other FEI customers or to customers in the current FEVI or FEW service areas.

**Response:**

Confirmed. The RSDA balance is allocated only to non-bypass customers in the current FEI service area (i.e. existing FEI customers excluding those in the Fort Nelson Service Area). The RSDA balance is not allocated to FEI's bypass and special contract customers, to Rate Schedule 46 customers or to customers in the Fort Nelson service area. Changes in rates for Rate Schedule 46 are limited to those outlined in Order in Council 557 (Special Direction No. 5 to the BCUC).

**9.0 Reference: Application, Section 4.5.2 Allocation of RSDA to Three Year Period**

**FEU choice of Scenario D**

"Although other scenarios and allocations can be tested, due to the fact that the RSDA Rider is only in existence for three years, it is apparent from the four scenarios modelled that the implementation must balance rate decreases in the near term against the rate increase once the rider is removed in 2018." (Application, p. 31)

9.1 Please confirm, or otherwise explain, that FEU chose Scenario D as this scenario, in conjunction with the other elements of the full common delivery rate methodology, represents the least impact to the existing FEI "Mainland" customers over the four year period from 2015-2018.

**Response:**

Confirmed. The FEU chose Scenario D as it had the smoothest impact to existing FEI customer rates over the years 2015 – 2018. The FEU define smoothest as having the lowest year over year change for the delivery component of a rate class' annual bill. In this case, the delivery component is affected by the interplay between the RSDA Rider, the transition to common rates, and anticipated delivery rate increases.

9.2 Pleased confirm, or otherwise explain, that the estimated 2.24 percent shown in 2018 of Scenario D should be 2.25 percent and basically represents the PBR anticipated Delivery Rate increase of 2.22percent for 2018 as shown in the footnote on page 31.

**Response:**

Confirmed that to make the incremental delivery rate impacts sum to zero over the four years, 2.24% should be 2.25% when showing only two decimal places. The percentage using three decimal places is 2.244%, such that 2.24% is the correct rounded number. The discrepancy occurs due to the numbers in the table being rounded to two decimal places.

Not confirmed that the 2.24% represents the anticipated delivery rate increase for 2018. Table 4-11 only shows the RSDA impacts and not the delivery rate increase impacts. To find an approach that would produce the smoothest rate change, FEI Amalco looked at all impacts to delivery rates, including the Phase-In Rider, the RSDA Rider and anticipated PBR rate changes over the phase in period of 2015-2018. However, the Incremental delivery rate impact of 2.24% in year 2018 from the elimination of the RSDA Rider has no relationship to the anticipated PBR delivery rate increase of 2.22% for 2018.

9.3 Please provide the estimated delivery rate impact, from the allocation of the RSDA, in 2019 for Scenario D using the assumption that PBR continues past 2018.

**Response:**

As stated on page 29 of the Application, the Commission approved the RSDA Rider over a three year period effective as of the date of the amalgamation. The RSDA Rider is in effect for 2015 through 2017, but is zero for 2018 and subsequent years. Therefore there are no impacts to delivery rates in 2019 from the RSDA Rider regardless of whether the PBR continues past 2018.

**10.0 Reference: Application, Section 4.5.3 Calculation of the RSDA Rider**

**Forecast and Actual RSDA Balances**

"Once the Q4 Gas Cost Reports have been filed, the FEU will calculate and file an updated rider calculation using the 2015 forecast demand, and the RSDA and GCVA forecast balances provided in those reports. Any variance between the forecast and actual balances in the RSDA and GCVA will reside in the RSDA and will be part of the calculation of the 2015 RSDA Rider." (Application, p. 32)

10.1 Please confirm, or otherwise explain, that the timing of the 2014 Q4 Gas Cost Reports and subsequent rate calculations will likely result that the impact to the Rate Stabilization Deferral Account (RSDA) will be part of the calculation of the 2016 RSDA Rider.

**<u>Response:</u>**

Confirmed. The FEU should have referenced the 2016 RSDA Rider and not the 2015 RSDA Rider on line 6 of page 32.

**11.0 Reference: Application, Section 4.6.2 Phase-In Riders by Rate Schedule**

**Additional Considerations and Options Considered**

11.1 Please explain further the impacts of Option 3: "Phase in variable delivery rate change only for FEVI and FEW customers; offsetting amount allocated to FEI customers," including how it interrelates to the transition to the higher basic charge in 2015 for existing FEVI and FEW customers.

**Response:**

The FEU have explained the impact of the Option 3 phase-in methodology in sections 4.6.2 and 4.6.3 of the Application and summarized the rate impacts by rate schedule in section 4.7 of the Application. As explained on page 35, the FEU chose Phase-In Rider percentages by year and rate class to balance the rate reducing impact of the RSDA Rider and to offset the impact of the transition to the higher basic charge in 2015. In particular, as shown in Table 4-14, the FEU have allocated a higher percentage in 2015 to offset the transition to the higher basic charge in 2015 for residential customers. The resulting variable delivery rate reduction for FEVI and FEW customers for Rate Schedules 1 and 2 is 40% in 2015, 60% in 2016, 80% in 2017 and 100% in 2018.

**12.0 Reference: Application, Section 4.6.3 Phase-in Methodology Selected Impacts to Customers**

12.1 Please confirm, or otherwise explain, that FEU chose the percentage amounts in Table 4-14 as this scenario of Phase-In Rider percentages by year and Rate Class, in conjunction with the other elements of the full common delivery rate methodology, represents the least impact to the existing FEVI and FEW customers over the four year period from 2015-2018.

**Response:**

The percentages in Table 4-14 were developed primarily so that existing FEI customers would see the least impact and smoothest rate changes over the period 2015 – 2018 as discussed in the response to BCUC IR 1.9.1. FEVI and FEW rate impacts were the second consideration, since FEVI and FEW customers will experience net rate decreases regardless of the phase-in percentages chosen. The FEU recognize that customers are generally more sensitive to the amount of rate increases than rate decreases.

12.2 Please explain the interaction between the Phase-In Riders and the change to the Basic Charges for FEVI and FEW customers in 2015.

**Response:**

The FEU considered the one-time impact of the increase to the basic charge in designing the Phase-In Riders (a higher percentage of phase-in is applied in 2015 when the move to the higher basic charge is realized). On an ongoing basis, there will be no interaction between the Phase-In Riders and the Basic Charge because the Phase-In Riders are only applied to the delivery rate. The basic charges for all FEI Amalco rate classes will remain at the currently approved rates for FEI.

12.3 Please confirm, or otherwise explain, that existing FEVI and FEW customers will have the same Basic Charges as current FEI customers in 2015.

**Response:**

Confirmed.

12.4 Please provide the equivalent tables Table 4-15 "Rate Rider Collected from FEVI and FEW Customers" for 2016 and 2017.

**Response:**

Table 4-15 is reproduced below, showing the same calculations for 2016 and for 2017 as provided in the Application for 2015. In these tables, the volumes are the same for all years (2015 through 2017). When the Phase-In Riders are calculated each fall for the upcoming year, the calculation will be updated with the volume forecast at that time.

| | Weighted Average Variable Rate Difference | Phase-In % | 2016 Rate Rider ($/GJ) | 2016 Volume (TJ) | 2016 Total ($ thousands) |
|---|---|---|---|---|---|
| FEVI RS1 | $ 4.177 | 40% | $ 1.671 | 4,305.7 | $ 7,194 |
| FEW RS1 | $ 7.921 | 40% | $ 3.168 | 211.4 | $ 670 |
| FEVI RS2 | $ 4.732 | 40% | $ 1.893 | 3,074.6 | $ 5,820 |
| FEW RS2 | $ 8.711 | 40% | $ 3.484 | 170.2 | $ 593 |
| FEVI RS3 | $ 3.509 | 25% | $ 0.877 | 2,208.6 | $ 1,937 |
| FEW RS3 | $ 9.258 | 25% | $ 2.315 | 266.3 | $ 616 |
| FEVI RS5/25 | $ 5.047 | 30% | $ 1.514 | 1,973.7 | $ 2,989 |
| | | | | | $ 19,819 |

| | Weighted Average Variable Rate Difference | Phase-In % | 2017 Rate Rider ($/GJ) | 2017 Volume (TJ) | 2017 Total ($ thousands) |
|---|---|---|---|---|---|
| FEVI RS1 | $ 4.177 | 20% | $ 0.835 | 4,305.7 | $ 3,597 |
| FEW RS1 | $ 7.921 | 20% | $ 1.584 | 211.4 | $ 335 |
| FEVI RS2 | $ 4.732 | 20% | $ 0.946 | 3,074.6 | $ 2,910 |
| FEW RS2 | $ 8.711 | 20% | $ 1.742 | 170.2 | $ 297 |
| FEVI RS3 | $ 3.509 | 10% | $ 0.351 | 2,208.6 | $ 775 |
| FEW RS3 | $ 9.258 | 10% | $ 0.926 | 266.3 | $ 247 |
| FEVI RS5/25 | $ 5.047 | 25% | $ 1.262 | 1,973.7 | $ 2,491 |
| | | | | | $ 10,650 |

12.5 Please provide the equivalent tables Table 4-16 "Rate Rider Calculation for FEI Customers" for 2016 and 2017.

**Response:**

Table 4-16 is reproduced below, showing the same calculations for 2016 and for 2017 as provided in the Application for 2015. In these tables, the volumes are the same for all years (2015 through 2017). When the Phase-in Riders are calculated each fall for the upcoming year, the calculation will be updated with the volume forecast at that time.

| | Allocation | | 2016 | |
|---|---|---|---|---|
| | % | ($ thousands) | Volume (TJ) | Rider ($/GJ) |
| RS1 | 60.6% | $ 12,012 | 69,511.7 | $ 0.173 |
| RS2 | 15.7% | $ 3,120 | 24,246.8 | $ 0.129 |
| RS3/23 | 12.9% | $ 2,565 | 25,974.3 | $ 0.099 |
| RS4 | 0.1% | $ 10 | 169.1 | $ 0.061 |
| RS5/25 | 5.4% | $ 1,061 | 14,667.6 | $ 0.072 |
| RS6 | 0.0% | $ 8 | 61.4 | $ 0.137 |
| RS7/27 | 1.5% | $ 292 | 6,563.0 | $ 0.045 |
| RS22 | 3.8% | $ 750 | 29,010.4 | $ 0.026 |
| | 100.0% | $ 19,819 | 170,204.3 | |

| | Allocation | | 2017 | |
|---|---|---|---|---|
| | % | ($ thousands) | Volume (TJ) | Rider ($/GJ) |
| RS1 | 60.6% | $ 6,455 | 69,511.7 | $ 0.093 |
| RS2 | 15.7% | $ 1,677 | 24,246.8 | $ 0.069 |
| RS3/23 | 12.9% | $ 1,378 | 25,974.3 | $ 0.053 |
| RS4 | 0.1% | $ 6 | 169.1 | $ 0.033 |
| RS5/25 | 5.4% | $ 570 | 14,667.6 | $ 0.039 |
| RS6 | 0.0% | $ 5 | 61.4 | $ 0.074 |
| RS7/27 | 1.5% | $ 157 | 6,563.0 | $ 0.024 |
| RS22 | 3.8% | $ 403 | 29,010.4 | $ 0.014 |
| | 100.0% | $ 10,650 | 170,204.3 | |

**13.0 Reference: Application, Section 4.7 Summary of Rate Impacts by Rate Schedule**

**Estimated Annual Bill Impacts by Rate Schedule**

13.1 Please provide the series of tables which follow the data through the entire process from the mapping and amalgamated volumes through to the estimated annual bill impacts for Rate Schedule 1 – Residential in Table 4-18. Each of FEVI RGS, FEW SGS RES, and FEI would be shown separately.

**<u>Response:</u>**

References to Tables included in this response are organized in the following fashion:

- References to numbered tables refer to the tables within the Application
- References to lettered tables refer to the tables included in this response

Table A demonstrates the calculation of the common delivery rate for Rate Schedule 1 which is applicable to FEVI RGS, FEW SGS RES and FEI Rate Schedule 1 customers.

## Table A: Calculation of Rate Schedule 1 2014 Common Delivery Rate

**Table A: Calculation of Common Rate 1**

| Line | Particulars | UOM | FEVI RGS | FEW SGS RES | FEI RATE 1 | Total | Reference |
|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | **Calculation of Rate 1 Common Rate** | | | | | | |
| 2 | | | | | | | |
| 3 | Volume | TJ | 4,306 | 211 | 69,512 | | Appendix B2, B3, B1, Schedule 6, Line 2, Column 5 |
| 4 | Mapping | | 100% | 100% | 100% | | Table 4-6, 4-7 |
| 5 | Mapped to Rate 1 | TJ | 4,306 | 211 | 69,512 | 74,029 | Line 3 x Line 4; Sum Columns 3 to 5 |
| 6 | FEI 2014 Proposed Delivery Rates | $/GJ | | | | 5.325 | Appendix A, Schedule 5, Line 3, Column 5 |
| 7 | Delivery Revenue at FEI 2014 Proposed Rates | $000 | | | | 394,187 | Line 5 x Line 6; Appendix A, Schedule 5, Line 3, Column 6 |
| 8 | Other Rate Class Delivery Rrevenue at FEI 2014 Proposed Rates | $000 | | | | 290,297 | Appendix A, Schedule 5, Line 4 - 35, Column 6 |
| 9 | Total Delivery Revenue at FEI 2014 Proposed Rates | $000 | | | | 684,484 | Line 5 + Line 6; Table 4-8 |
| 10 | Delivery Cost of Service | $000 | | | | 741,504 | Table 4-1 |
| 11 | Deficiency Upon Amalgamation | $000 | | | | (57,020) | Line 9 - Line 10; Table 4-8 |
| 12 | Deficiency allocated to Transportation Customers | $000 | | | | (7,434) | Appendix A, Schedule 5, Line 27, Column 8 |
| 13 | Deficiency allocated to Sales Customers | $000 | | | | (49,586) | Line 11 - Line 12; Appendix A, Schedule 5, Line 17, Column 8 |
| 14 | | $000 | | | | | |
| 15 | Rate 1 Gross Margin @ 2014 FEI Proposed Rates | $000 | | | | 394,187 | Appendix A, Schedule 5, Line 3, Column 6 |
| 16 | Total Sales Gross Margin @ 2014 FEI Proposed Rates | $000 | | | | 570,583 | Appendix A, Schedule 5, Line 17, Column 6 |
| 17 | Rate 16 Gross Margin @ 2014 FEI Proposed Rates | $000 | *Rate 16 does not change by deficiency* | | | 675 | Appendix A, Schedule 5, Line 15, Column 6 |
| 18 | Rate 46 Gross Margin @ 2014 FEI Proposed Rates | $000 | *Rate 46 does not change by deficiency* | | | 1,205 | Appendix A, Schedule 5, Line 16, Column 6 |
| 19 | Deficiency Allocated to Rate 1 | $000 | *Remove Rate 16 and 46 from allocation calculation* | | | (34,370) | Line 15 / ( Line 16 - Line 17 - Line 18) x Line 13 |
| 20 | Rate 1 Delivery Rate Change | $/GJ | | | | 0.464 | - Line 19 / Line 5 |
| 21 | Rate 1 @ 2014 FEI Proposed Rates | $/GJ | | | | 3.695 | Calculated from Appendix B1 |
| 22 | **Rate 1 @ 2014 Common Rates** | $/GJ | | | | **4.159** | Line 18 + Line 19 |

Tables B and C demonstrate for FEVI and FEW the Phase-In Rider calculation, how the Rider is added to the 2014 common delivery rate for RS1 over the phase-in period, the calculation of annual bill impacts and the collection of phase-in dollars to be distributed to existing FEI customers.

## Table B: FEVI RGS Annual Bill Impacts and Phase-In Rider collected

**Table B: Calculation of FEVI RGS at Common Rate 1 and Annual Bill Impacts**

| | | | | | | | Annual Bill | | | | Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Line | | Volume | | 2014 Rate | | Annual $ | 2015 | 2016 | 2017 | 2018 | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
| 1 | *FEVI RGS* | | | | | | | | | | |
| 2 | Basic daily charge | 365.25 | days x | $ 0.345 | = | $ 126 | | | | | FEVI RGS Basic Charge G-140-11 |
| 3 | Demand | 4,306 | TJ | | | | | | | | Table A, Line 3, Column 3 |
| 4 | Average Customers | 94,740 | # | | | | | | | | Appendix B2, Schedule 10, Line 3, Column 9 |
| 5 | Energy charge | 45.4 | GJ x | $ 14.325 | | | | | | | Line 3 x 1,000 / Line 4; FEVI RGS G-42-08 |
| 6 | Delivery | 45.4 | GJ x | $ 8.336 | = | $ 379 | | | | | Column 4 = Line 5 - Line 7 |
| 7 | Cost of gas | 45.4 | GJ x | $ 5.989 | = | $ 272 | | | | | Column 4 = (Appendix B2, Schedule 9, Line 13, Column 5) / (Appendix B2, Schedule 10, Line 14, Column 2) |
| 8 | | | | | | | | | | | |
| 9 | **Total** | | | | | **$ 777** | **$ 777** | **$ 777** | **$ 777** | **$ 777** | Column 6 = Sum of Lines 2 to 7 |
| 10 | | | | | | | | | | | |
| 11 | FEVI RGS Delivery Rate | | | $ 8.336 | | | | | | | Line 6, Column 4 |
| 12 | Common Rate 1 Delivery Rate | | | $ 4.159 | | | | | | | 2014 Rate = Table A, Line 22, Column 6 |
| 13 | **Phase In Rider** | | | **$ 4.177** | Line 11 - Line 12 | | **$ 2.506** | **$ 1.671** | **$ 0.835** | **$ -** | Column 4 x Line 14 |
| 14 | Phase in percentages | | | | | | 60% | 40% | 20% | 0% | Table 4-14 |
| 15 | | | | | | | | | | | |
| 16 | *Common Rate 1* | | | | | | | | | | |
| 17 | Basic daily charge | 365.25 | days x | $ 0.389 | = | **$ 142** | **$ 142** | **$ 142** | **$ 142** | **$ 142** | FEI Rate 1 Basic Charge G-177-11 |
| 18 | | | | | | | | | | | |
| 19 | Delivery charge | | | | | | | | | | |
| 20 | Common Rate 1 | | | | | | $ 4.159 | $ 4.159 | $ 4.159 | $ 4.159 | Line 12 |
| 21 | Phase In Rider | | | | | | $ 2.506 | $ 1.671 | $ 0.835 | $ - | Line 13 |
| 22 | Total | | | | | | $ 6.666 | $ 5.830 | $ 4.995 | $ 4.159 | Line 20 + Line 21 |
| 23 | Annual Demand | | | | | | 45.4 | 45.4 | 45.4 | 45.4 | Line 5 |
| 23 | Total Delivery charge | 45.4 | GJ x | $ 4.159 | = | **$ 189** | **$ 303** | **$ 265** | **$ 227** | **$ 189** | Line 22 x Line 23 |
| 24 | | | | | | | | | | | |
| 24 | Cost of gas | 45.4 | GJ x | $ 5.989 | = | **$ 272** | **$ 272** | **$ 272** | **$ 272** | **$ 272** | Line 7 |
| 25 | | | | | | | | | | | |
| 26 | **Total** | | | | | **$ 603** | **$ 717** | **$ 679** | **$ 641** | **$ 603** | Line 17 + Line 23 + Line 24 |
| 27 | | | | | | | | | | | |
| 28 | Cumulative Annual bill percentage change | | | | | | -7.7% | -12.6% | -17.5% | -22.4% | (Line 26 - Line 9) / Line 9 |
| 29 | **Annual bill percentage change (Table 4-18)** | | | | | | **-7.7%** | **-4.9%** | **-4.9%** | **-4.9%** | Line 28 - Previous Year Line 28 |
| 30 | | | | | | | | | | | |
| 31 | Annual Demand | | | | | | 4,306 | 4,306 | 4,306 | 4,306 | Line 3 |
| 32 | Phase In Rider | | | | | | $ 2.506 | $ 1.671 | $ 0.835 | $ - | Line 13 |
| 33 | **Phase In Rider Collected ($000)** | | | | | | **$ 10,791** | **$ 7,194** | **$ 3,597** | **$ -** | Line 22 x Line 32 |

## Table C: FEW SGS RES Annual Bill Impacts and Phase-In Rider collected

**Table C: Calculation of FEW SGS RES at Common Rate 1 and Annual Bill Impacts**

| Line | | Volume | | 2014 Rate | | Annual $ | Annual Bill 2015 | Annual Bill 2016 | Annual Bill 2017 | Annual Bill 2018 | Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
| 1 | *FEW SGS RES* | | | | | | | | | | |
| 2 | Basic daily charge | 365.25 | days x | $ 0.246 | = | $ 90 | | | | | FEW SGS RES Basic Charge G-177-11 |
| 3 | Demand | 211 | TJ | | | | | | | | Table A, Line 3, Column 4 |
| 4 | Average Customers | 2,329 | # | | | | | | | | Appendix B3, Schedule 10, Line 3, Column 9 |
| 5 | | | | | | | | | | | |
| 6 | Delivery | 90.8 | GJ x | $ 12.080 | = | $ 1,096 | | | | | Line 3 x 1,000 / Line 4; FEW SGS RES G-202-13 |
| 7 | Cost of gas | 90.8 | GJ x | $ 5.754 | = | $ 522 | | | | | Column 4 = Approved Cost of Gas G-38-14 |
| 8 | | | | | | | | | | | |
| 9 | **Total** | | | | | **$ 1,709** | **$ 1,709** | **$ 1,709** | **$ 1,709** | **$ 1,709** | Column 6 = Sum of Lines 2 to 7 |
| 10 | | | | | | | | | | | |
| 11 | FEW SGS RES Delivery Rate | | | $ 12.080 | | | | | | | Line 6, Column 4 |
| 12 | Common Rate 1 Delivery Rate | | | $ 4.159 | | | | | | | 2014 Rate = Table A, Line 22, Column 6 |
| 13 | **Phase In Rider** | | | **$ 7.921** | Line 11 - Line 12 | | **$ 4.752** | **$ 3.168** | **$ 1.584** | **$ -** | Column 4 x Line 14 |
| 14 | Phase in percentages | | | | | | 60% | 40% | 20% | 0% | Table 4-14 |
| 15 | | | | | | | | | | | |
| 16 | *Common Rate 1* | | | | | | | | | | |
| 17 | Basic daily charge | 365.25 | days x | $ 0.389 | = | **$ 142** | **$ 142** | **$ 142** | **$ 142** | **$ 142** | FEI Rate 1 Basic Charge G-177-11 |
| 18 | | | | | | | | | | | |
| 19 | Delivery charge | | | | | | | | | | |
| 20 | Common Rate 1 | | | | | | $ 4.159 | $ 4.159 | $ 4.159 | $ 4.159 | Line 12 |
| 21 | Phase In Rider | | | | | | $ 4.752 | $ 3.168 | $ 1.584 | $ - | Line 13 |
| 22 | Total | | | | | | $ 8.912 | $ 7.328 | $ 5.743 | $ 4.159 | Line 20 + Line 21 |
| 23 | Annual Demand | | | | | | 90.8 | 90.8 | 90.8 | 90.8 | Line 6 |
| 23 | Total Delivery charge | 90.8 | GJ x | $ 4.159 | = | **$ 378** | **$ 809** | **$ 665** | **$ 521** | **$ 378** | Line 22 x Line 23 |
| 24 | | | | | | | | | | | |
| 24 | Cost of gas | 90.8 | GJ x | $ 5.754 | = | **$ 522** | **$ 522** | **$ 522** | **$ 522** | **$ 522** | Line 7 |
| 25 | | | | | | | | | | | |
| 26 | **Total** | | | | | **$ 1,042** | **$ 1,473** | **$ 1,329** | **$ 1,186** | **$ 1,042** | Line 17 + Line 23 + Line 24 |
| 27 | | | | | | | | | | | |
| 28 | Cumulative Annual bill percentage change | | | | | | -13.8% | -22.2% | -30.6% | -39.0% | (Line 26 - Line 9) / Line 9 |
| 29 | **Annual bill percentage change (Table 4-18)** | | | | | | **-13.8%** | **-8.4%** | **-8.4%** | **-8.4%** | Line 28 - Previous Year Line 28 |
| 30 | | | | | | | | | | | |
| 31 | Annual Demand | | | | | | 211 | 211 | 211 | 211 | Line 3 |
| 32 | Phase In Rider | | | | | | $ 4.752 | $ 3.168 | $ 1.584 | $ - | Line 13 |
| 33 | **Phase In Rider Collected ($000)** | | | | | | **$ 1,005** | **$ 670** | **$ 335** | **$ -** | Line 22 x Line 32 |

Table D shows the allocation process to distribute the phase-in and RSDA balances to FEI RS 1.

## Table D: Calculation of FEI RS 1 Phase-In and RSDA Riders

**Table D: Calculation of FEI Mainland Phase In and RSDA Riders**

**$000 unless otherwise noted**

| Line | (1) | (2) | (3) | (4) | 2015 (5) | 2016 (6) | 2017 (7) | 2018 (8) | Reference (9) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | | |
| 2 | *Phase In Rider Collected* | | | | | | | | |
| 3 | FEVI RS1 | | | | $ (10,791) | $ (7,194) | $ (3,597) | $ - | Table B , Line 33 x -1 |
| 4 | FEW RS1 | | | | (1,005) | (670) | (335) | - | Table C , Line 33 x -1 |
| 5 | All Other | | | | (17,702) | (11,956) | (6,718) | - | 2015 = Table 4-15 x -1 |
| 6 | Total | | | | $ (29,498) | $ (19,819) | $ (10,650) | $ - | Sum of Lines 3 to 5 |
| 7 | | | | | | | | | |
| 8 | *Calculation of Rate 1 Phase In Rider* | | | | | | | | |
| 9 | FEI Mainland Margin @ Common Rates | | | | | | | | |
| 10 | | 2014 Amalco | | | | | | | |
| 11 | Rate 1 | $ 364,076 | 60.61% | | $ (17,878) | $ (12,012) | $ (6,455) | $ - | Line 11 percentage x Line 6 |
| 12 | All Other | 236,627 | 39.39% | | (11,620) | (7,807) | (4,195) | - | Line 12 percentage x Line 6 |
| 13 | | $ 600,702 | 100.00% | | $ (29,498) | $ (19,819) | $ (10,650) | $ - | Line 11 + Line 12 |
| 14 | | | | | | | | | |
| 15 | FEI Mainland Rate 1 Volume (TJ) | | | | 69,511.7 | 69,511.7 | 69,511.7 | 69,511.7 | Appendix B1, Schedule 6, Line 2, Column 5 |
| 16 | | | | | | | | | |
| 17 | **FEI Mainland Phase-In Rider ($/GJ)** | | | | **$ (0.257)** | **$ (0.173)** | **$ (0.093)** | **$ -** | **Line 13 / Line 15** |
| 18 | | | | | | | | | |
| 19 | *RSDA Rider* | | | | | | | | |
| 20 | RSDA Distribution over Phase In period | | | 100% | 40% | 42% | 18% | 0% | Table 4-11, Scenario D |
| 21 | RSDA Credit Balance to be Distributed | | | **$ (88,940)** | $ (35,576) | $ (37,355) | $ (16,009) | $ - | Line 20 x -$88,940 |
| 22 | Allocation to Rate 1 | | | | 60.61% | 60.61% | 60.61% | 60.61% | Line 11, Column 3 |
| 23 | RSDA Allocated to Rate 1 | | | | $ (21,562) | $ (22,640) | $ (9,703) | $ - | Line 21 x Line 22 |
| 24 | FEI Mainland Rate 1 Volume (TJ) | | | | 69,511.7 | 69,511.7 | 69,511.7 | 69,511.7 | Line 15 |
| 25 | **FEI Mainland RSDA Rider ($/GJ)** | | | | **$ (0.310)** | **$ (0.326)** | **$ (0.140)** | **$ -** | Line 23 / Line 24 |

Table E demonstrates how the Phase-in and RSDA Riders affect FEI RS 1 customers' annual bills over the phase-in period.

## Table E: Calculation of FEI Bill Impacts including Phase-In and RSDA Riders

**Table E: Calculation of FEI Rate 1 at Common Rate 1 and Annual Bill Impacts**

| Line | | Volume | | 2014 Rate | | Annual $ | Annual Bill 2015 | Annual Bill 2016 | Annual Bill 2017 | Annual Bill 2018 | Reference |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
| 1 | *FEI Rate 1* | | | | | | | | | | |
| 2 | Basic daily charge | 365.25 | days x | $ 0.389 | = | $ 142 | | | | | FEI Rate 1 Basic Charge G-177-11 |
| 3 | Demand | 69,512 | TJ | | | | | | | | Table A, Line 3, Column 5 |
| 4 | Average Customers | 765,842 | # | | | | | | | | Appendix B1, Schedule 10, Line 3, Column 9 |
| 5 | | | | | | | | | | | |
| 6 | Delivery | 90.8 | GJ x | $ 3.695 | = | $ 335 | | | | | Line 3 x 1,000 / Line 4; FEI Rate 1 as calculated from Appendix B1 |
| 7 | Cost of gas | 90.8 | GJ x | $ 5.943 | = | $ 539 | | | | | Column 4 = Approved Cost of Gas G-37-14 |
| 8 | | | | | | | | | | | |
| 9 | **Total** | | | | | **$ 1,017** | **$ 1,017** | **$ 1,017** | **$ 1,017** | **$ 1,017** | Column 6 = Sum of Lines 2 to 7 |
| 10 | | | | | | | | | | | |
| 11 | *Common Rate 1* | | | | | | | | | | |
| 12 | Basic daily charge | 365.25 | days x | $ 0.389 | = | **$ 142** | **$ 142** | **$ 142** | **$ 142** | **$ 142** | FEI Rate 1 Basic Charge G-177-11 |
| 13 | | | | | | | | | | | |
| 14 | Delivery charge | | | | | | | | | | |
| 15 | Common Rate 1 | | | | | | $ 4.159 | $ 4.159 | $ 4.159 | $ 4.159 | 2014 Rate = Table A, Line 22, Column 6 |
| 16 | Phase-In Rider | | | | | | (0.257) | (0.173) | (0.093) | - | Table D, Line 17 |
| 17 | RSDA Rider | | | | | | (0.310) | (0.326) | (0.140) | - | Table D, Line 25 |
| 18 | Total | | | | | | $ 3.591 | $ 3.660 | $ 3.926 | $ 4.159 | Sum of Lines 15 to 17 |
| 19 | Annual Demand | | | | | | 90.8 | 90.8 | 90.8 | 90.8 | Line 6 |
| 19 | Total Delivery charge | 90.8 | GJ x | $ 4.159 | = | **$ 378** | **$ 326** | **$ 332** | **$ 356** | **$ 377** | Line 18 x Line 19 |
| 20 | | | | | | | | | | | |
| 20 | Cost of gas | 90.8 | GJ x | $ 5.943 | = | **$ 539** | **$ 539** | **$ 539** | **$ 539** | **$ 539** | Line 7 |
| 21 | | | | | | | | | | | |
| 22 | **Total** | | | | | **$ 1,059** | **$ 1,007** | **$ 1,014** | **$ 1,038** | **$ 1,059** | Line 12 + Line 19 + Line 20 |
| 23 | | | | | | | | | | | |
| 24 | Cumulative Annual bill percentage change | | | | | | -0.9% | -0.3% | 2.1% | 4.1% | (Line 22 - Line 9) / Line 9 |
| 25 | **Annual bill percentage change (Table 4-18)** | | | | | | **-0.9%** | **0.6%** | **2.4%** | **2.1%** | Line 24 - Previous Year Line 24 |

13.2 Please provide a table or tables which separate the estimated annual bill impact by rate schedule on Table 4-18, by year over the 2015-2018 period, into the component parts including the RSDA Rider, Phase-in Rider, change in Basic Charges, PBR forecast delivery rate changes, other PBR rate increases and any other required changes.

**Response:**

The FEU have separated Table 4-18 into several segments for ease of viewing. Although the anticipated PBR rate changes were considered when developing the percentages for the Riders (to produce the smoothest delivery rate changes over the 2015 – 2018 period), the anticipated PBR rate impacts were not included in Table 4-18 so are not included below.

Former FEVI and FEW rate classes will experience changes in the basic charge in 2015 and changes in their delivery rate + Phase-In Rider over the 2015 – 2018 period. FEI rate classes will experience changes in the delivery charge + Phase-In Rider + RSDA Rider over the 2015 – 2018 period. As noted in the footnote to Table 4-18, the transportation customer annual bill impacts reflect the delivery rate impact only and are not comparable to the annual bill impacts of sales customers.

Please note that in some cases there is a rounding variance of approximately 0.1% when comparing the sum to the addition of the individual components.

| Residential (RS 1): | | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|
| FEVI RGS | Sum | -7.7% | -4.9% | -4.9% | -4.9% | -22.4% |
| | Basic Charge | 2.1% | 0.0% | 0.0% | 0.0% | 2.1% |
| | Delivery Rate | -24.4% | 0.0% | 0.0% | 0.0% | -24.4% |
| | Phase In Rider | 14.7% | -4.9% | -4.9% | -4.9% | 0.0% |
| FEW SGS RES | Sum | -13.8% | -8.4% | -8.4% | -8.4% | -39.0% |
| | Basic Charge | 3.0% | 0.0% | 0.0% | 0.0% | 3.0% |
| | Delivery Rate | -42.1% | 0.0% | 0.0% | 0.0% | -42.1% |
| | Phase In Rider | 25.2% | -8.4% | -8.4% | -8.4% | 0.0% |
| FEI | Sum | -0.9% | 0.6% | 2.4% | 2.1% | 4.1% |
| | Delivery Rate | 4.1% | 0.0% | 0.0% | 0.0% | 4.1% |
| | RSDA Rider | -2.8% | -0.1% | 1.7% | 1.2% | 0.0% |
| | Phase-In Rider | -2.3% | 0.8% | 0.7% | 0.8% | 0.0% |

| Small Commercial (RS 2): | | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|
| FEVI SCS 1 | Sum | -16.5% | -5.3% | -5.3% | -5.3% | -32.3% |
| | Basic Charge | 9.8% | 0.0% | 0.0% | 0.0% | 9.8% |
| | Delivery Rate | -42.1% | 0.0% | 0.0% | 0.0% | -42.1% |
| | Phase In Rider | 15.8% | -5.3% | -5.3% | -5.3% | 0.0% |
| FEVI SCS 2 | Sum | -25.9% | -5.4% | -5.4% | -5.4% | -42.0% |
| | Basic Charge | -1.7% | 0.0% | 0.0% | 0.0% | -1.7% |
| | Delivery Rate | -40.2% | 0.0% | 0.0% | 0.0% | -40.2% |
| | Phase In Rider | 16.1% | -5.4% | -5.4% | -5.4% | 0.0% |
| FEVI LCS 1 | Sum | -11.5% | -6.7% | -6.7% | -6.7% | -31.6% |
| | Basic Charge | -3.3% | 0.0% | 0.0% | 0.0% | -3.3% |
| | Delivery Rate | -28.2% | 0.0% | 0.0% | 0.0% | -28.2% |
| | Phase In Rider | 20.1% | -6.7% | -6.7% | -6.7% | 0.0% |
| FEVI LCS 2 | Sum | -6.3% | -7.1% | -7.1% | -7.1% | -27.7% |
| | Basic Charge | -5.4% | 0.0% | 0.0% | 0.0% | -5.4% |
| | Delivery Rate | -22.2% | 0.0% | 0.0% | 0.0% | -22.2% |
| | Phase In Rider | 21.4% | -7.1% | -7.1% | -7.1% | 0.0% |
| FEVI LCS 3 | Sum | -8.1% | -7.0% | -7.0% | -7.0% | -29.2% |
| | Basic Charge | -9.4% | 0.0% | 0.0% | 0.0% | -9.4% |
| | Delivery Rate | -19.7% | 0.0% | 0.0% | 0.0% | -19.7% |
| | Phase In Rider | 21.1% | -7.0% | -7.0% | -7.0% | 0.0% |
| FEVI AGS | Sum | -3.2% | -7.3% | -7.3% | -7.3% | -25.0% |
| | Basic Charge | -1.9% | 0.0% | 0.0% | 0.0% | -1.9% |
| | Delivery Rate | -23.2% | 0.0% | 0.0% | 0.0% | -23.2% |
| | Phase In Rider | 21.8% | -7.3% | -7.3% | -7.3% | 0.0% |
| FEW SGS COM | Sum | -15.1% | -9.6% | -9.6% | -9.6% | -43.9% |
| | Basic Charge | 4.1% | 0.0% | 0.0% | 0.0% | 4.1% |
| | Delivery Rate | -48.0% | 0.0% | 0.0% | 0.0% | -48.0% |
| | Phase In Rider | 28.8% | -9.6% | -9.6% | -9.6% | 0.0% |
| FEW LGS1 | Sum | -18.6% | -9.7% | -9.7% | -9.7% | -47.8% |
| | Basic Charge | 0.8% | 0.0% | 0.0% | 0.0% | 0.8% |
| | Delivery Rate | -48.7% | 0.0% | 0.0% | 0.0% | -48.7% |
| | Phase In Rider | 29.2% | -9.7% | -9.7% | -9.7% | 0.0% |
| FEI | Sum | -0.8% | 0.5% | 2.0% | 1.8% | 3.4% |
| | Delivery Rate | 3.4% | 0.0% | 0.0% | 0.0% | 3.4% |
| | RSDA Rider | -2.3% | -0.1% | 1.4% | 1.1% | 0.0% |
| | Phase-In Rider | -1.9% | 0.6% | 0.6% | 0.7% | 0.0% |

| Large Commercial (RS 3): | | 2015 | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|---|
| FEVI AGS | Sum | -13.1% | -5.6% | -4.2% | -2.8% | -25.7% |
| | Basic Charge | 2.7% | 0.0% | 0.0% | 0.0% | 2.7% |
| | Delivery Rate | -28.5% | 0.0% | 0.0% | 0.0% | -28.5% |
| | Phase In Rider | 12.6% | -5.6% | -4.2% | -2.8% | 0.0% |
| FEVI LCS 1 | Sum | -19.8% | -5.2% | -3.9% | -2.6% | -31.4% |
| | Basic Charge | 2.0% | 0.0% | 0.0% | 0.0% | 2.0% |
| | Delivery Rate | -33.4% | 0.0% | 0.0% | 0.0% | -33.4% |
| | Phase In Rider | 11.6% | -5.2% | -3.9% | -2.6% | 0.0% |
| FEVI LCS 2 | Sum | -14.4% | -5.6% | -4.2% | -2.8% | -26.9% |
| | Basic Charge | 0.8% | 0.0% | 0.0% | 0.0% | 0.8% |
| | Delivery Rate | -27.8% | 0.0% | 0.0% | 0.0% | -27.8% |
| | Phase In Rider | 12.5% | -5.6% | -4.2% | -2.8% | 0.0% |
| FEVI LCS 3 | Sum | -13.7% | -5.8% | -4.3% | -2.9% | -26.7% |
| | Basic Charge | -0.3% | 0.0% | 0.0% | 0.0% | -0.3% |
| | Delivery Rate | -26.4% | 0.0% | 0.0% | 0.0% | -26.4% |
| | Phase In Rider | 13.0% | -5.8% | -4.3% | -2.9% | 0.0% |
| FEVI HLF | Sum | -57.0% | -2.8% | -2.1% | -1.4% | -63.2% |
| | Basic Charge | -2.0% | 0.0% | 0.0% | 0.0% | -2.0% |
| | Delivery Rate | -61.2% | 0.0% | 0.0% | 0.0% | -61.2% |
| | Phase In Rider | 6.2% | -2.8% | -2.1% | -1.4% | 0.0% |
| FEVI ILF | Sum | -1.1% | -6.4% | -4.8% | -3.2% | -15.5% |
| | Basic Charge | -3.8% | 0.0% | 0.0% | 0.0% | -3.8% |
| | Delivery Rate | -11.7% | 0.0% | 0.0% | 0.0% | -11.7% |
| | Phase In Rider | 14.4% | -6.4% | -4.8% | -3.2% | 0.0% |
| FEW LGS2 | Sum | -24.9% | -10.4% | -7.8% | -5.2% | -48.3% |
| | Basic Charge | 3.5% | 0.0% | 0.0% | 0.0% | 3.5% |
| | Delivery Rate | -51.8% | 0.0% | 0.0% | 0.0% | -51.8% |
| | Phase In Rider | 23.3% | -10.4% | -7.8% | -5.2% | 0.0% |
| FEW LGS3 | Sum | -27.2% | -10.4% | -7.8% | -5.2% | -50.5% |
| | Basic Charge | 1.4% | 0.0% | 0.0% | 0.0% | 1.4% |
| | Delivery Rate | -51.9% | 0.0% | 0.0% | 0.0% | -51.9% |
| | Phase In Rider | 23.3% | -10.4% | -7.8% | -5.2% | 0.0% |
| FEI | Sum | -0.7% | 0.4% | 1.7% | 1.5% | 2.9% |
| | Delivery Rate | 2.9% | 0.0% | 0.0% | 0.0% | 2.9% |
| | RSDA Rider | -2.0% | -0.1% | 1.2% | 0.9% | 0.0% |
| | Phase-In Rider | -1.6% | 0.5% | 0.5% | 0.6% | 0.0% |

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| Industrial (RS 5): | | 2015 | 2016 | 2017 | 2018 | Total |
| --- | --- | --- | --- | --- | --- | --- |
| FEVI AGS | Sum | -11.2% | -2.0% | -2.0% | -10.2% | -25.4% |
| | Basic Charge | 6.3% | 0.0% | 0.0% | 0.0% | 6.3% |
| | Delivery Rate | -31.7% | 0.0% | 0.0% | 0.0% | -31.7% |
| | Phase In Rider | 14.2% | -2.0% | -2.0% | -10.2% | 0.0% |
| FEVI LCS 2 | Sum | -11.3% | -2.0% | -2.0% | -10.1% | -25.4% |
| | Basic Charge | 7.0% | 0.0% | 0.0% | 0.0% | 7.0% |
| | Delivery Rate | -32.4% | 0.0% | 0.0% | 0.0% | -32.4% |
| | Phase In Rider | 14.1% | -2.0% | -2.0% | -10.1% | 0.0% |
| FEVI LCS 3 | Sum | -13.0% | -2.1% | -2.1% | -10.4% | -27.6% |
| | Basic Charge | 1.8% | 0.0% | 0.0% | 0.0% | 1.8% |
| | Delivery Rate | -29.3% | 0.0% | 0.0% | 0.0% | -29.3% |
| | Phase In Rider | 14.6% | -2.1% | -2.1% | -10.4% | 0.0% |
| FEVI HLF | Sum | -11.9% | -2.2% | -2.2% | -11.2% | -27.5% |
| | Basic Charge | 2.0% | 0.0% | 0.0% | 0.0% | 2.0% |
| | Delivery Rate | -29.5% | 0.0% | 0.0% | 0.0% | -29.5% |
| | Phase In Rider | 15.6% | -2.2% | -2.2% | -11.2% | 0.0% |
| FEVI ILF | Sum | -2.1% | -2.5% | -2.5% | -12.3% | -19.3% |
| | Basic Charge | 2.5% | 0.0% | 0.0% | 0.0% | 2.5% |
| | Delivery Rate | -21.8% | 0.0% | 0.0% | 0.0% | -21.8% |
| | Phase In Rider | 17.2% | -2.5% | -2.5% | -12.3% | 0.0% |
| FEI | Sum | -0.5% | 0.3% | 1.3% | 1.1% | 2.3% |
| | Delivery Rate | 2.3% | 0.0% | 0.0% | 0.0% | 2.3% |
| | RSDA Rider | -1.5% | -0.1% | 0.9% | 0.7% | 0.0% |
| | Phase-In Rider | -1.3% | 0.4% | 0.4% | 0.5% | 0.0% |

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| Transportation (RS25) | | 2015 | 2016 | 2017 | 2018 | Total |
| --- | --- | --- | --- | --- | --- | --- |
| FEVI LCS 13 | Sum | -28.0% | -4.1% | -4.1% | -20.4% | -56.5% |
| | Basic Charge | 4.2% | 0.0% | 0.0% | 0.0% | 4.2% |
| | Delivery Rate | -60.7% | 0.0% | 0.0% | 0.0% | -60.7% |
| | Phase In Rider | 28.5% | -4.1% | -4.1% | -20.4% | 0.0% |
| FEI | Sum | -2.4% | 1.4% | 5.3% | 4.6% | 8.8% |
| | Delivery Rate | 8.8% | 0.0% | 0.0% | 0.0% | 8.8% |
| | RSDA Rider | -6.1% | -0.3% | 3.7% | 2.8% | 0.0% |
| | Phase-In Rider | -5.1% | 1.7% | 1.6% | 1.8% | 0.0% |

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| Other | | 2015 | 2016 | 2017 | 2018 | Total |
| --- | --- | --- | --- | --- | --- | --- |
| FEI RS4 | Sum | -0.5% | 0.3% | 1.2% | 1.0% | 2.0% |
| | Delivery Rate | 2.0% | 0.0% | 0.0% | 0.0% | 2.0% |
| | RSDA Rider | -1.3% | -0.1% | 0.8% | 0.6% | 0.0% |
| | Phase-In Rider | -1.1% | 0.4% | 0.3% | 0.4% | 0.0% |
| FEI RS6 | Sum | -1.3% | 0.5% | 2.1% | 1.8% | 3.1% |
| | Delivery Rate | 3.1% | 0.0% | 0.0% | 0.0% | 3.1% |
| | RSDA Rider | -2.4% | -0.1% | 1.5% | 1.1% | 0.0% |
| | Phase-In Rider | -2.0% | 0.7% | 0.6% | 0.7% | 0.0% |
| FEI RS7 | Sum | -0.4% | 0.2% | 0.9% | 0.8% | 1.6% |
| | Delivery Rate | 1.6% | 0.0% | 0.0% | 0.0% | 1.6% |
| | RSDA Rider | -1.1% | -0.1% | 0.6% | 0.5% | 0.0% |
| | Phase-In Rider | -0.9% | 0.3% | 0.3% | 0.3% | 0.0% |
| FEI RS27 | Sum | -2.1% | 1.3% | 5.1% | 4.4% | 8.7% |
| | Delivery Rate | 8.7% | 0.0% | 0.0% | 0.0% | 8.7% |
| | RSDA Rider | -5.9% | -0.3% | 3.5% | 2.7% | 0.0% |
| | Phase-In Rider | -4.9% | 1.6% | 1.5% | 1.8% | 0.0% |
| FEI RS22 | Sum | -0.5% | 1.1% | 4.3% | 3.7% | 8.6% |
| | Delivery Rate | 8.6% | 0.0% | 0.0% | 0.0% | 8.6% |
| | RSDA Rider | -5.0% | -0.2% | 3.0% | 2.2% | 0.0% |
| | Phase-In Rider | -4.1% | 1.4% | 1.3% | 1.5% | 0.0% |
| FEI RS23 | Sum | -2.3% | 1.4% | 5.3% | 4.7% | 9.1% |
| | Delivery Rate | 9.1% | 0.0% | 0.0% | 0.0% | 9.1% |
| | RSDA Rider | -6.2% | -0.3% | 3.7% | 2.8% | 0.0% |
| | Phase-In Rider | -5.2% | 1.7% | 1.6% | 1.9% | 0.0% |

13.3 Please provide an estimate for the Table 4-18 bill impact amounts in 2019 using the assumption that PBR continues.

**<u>Response:</u>**

The Application seeks approval for, among other things, a Phase-in Rider, an RSDA Rider and the calculation of 2014 common delivery rates to be used to calculate the 2015 deficiency upon amalgamation. Both the Phase-in and RSDA Riders terminate in 2018 so there are no impacts to the annual bill (Table 4-18) for 2019 in relation to this Application. In other words Table 4-18 for 2019 would equal 0% for all rate classes.