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May 8, 2018

Irrigation Ratepayers Group
c/o Weisberg Law Corporation
2730 Ailsa Crescent
North Vancouver, BC V7K 2B2

Attention: Mr. Fred J. Weisberg

Dear Mr. Weisberg:

Re: FortisBC Inc. (FBC)
Project No. 1598939
2017 Cost of Service Analysis and Rate Design Application (the Application)
Response to Irrigation Ratepayers Group (IRG) Information Request (IR) No. 1

On December 22, 2017, FBC filed the Application referenced above. In accordance with British Columbia Utilities Commission Exhibit A-6 amending the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to IRG IR No. 1.

If further information is required, please contact Corey Sinclair at (250) 469-8038.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachment

cc (email only): Commission Secretary
Registered Parties

FortisBC Inc. (FBC or the Company) 2017 Cost of Service Analysis and Rate Design Application (the Application)	Submission Date: May 8, 2018
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1 **Rate Design Application – Frequency and Purpose**

2 **1.0 Reference: Exhibit B-1, PDF 14, Section 1.3.3 - Background and Regulatory**
3 **History of FBC Rate Design**

4 **Preamble:** FBC’s most recent Rate Design Application (RDA) was filed in 2009.

5 1.1 Does FBC expect that the eight-year interval between its most recent RDA and
6 the current RDA is a reasonable estimate of the time interval until the filing of its
7 next RDA? Please explain.
8

9 **Response:**

10 The timing of the filing of a COSA and RDA can be affected by Commission direction or a
11 significant change in the circumstances of the utility. Generally, if no extraneous factors
12 influence the timing, FBC would expect to file its next COSA in between 5 and 8 years from the
13 date of the Commission decision related to this Application.

14 FBC notes that in the interval between the earlier and present filings, there were particular
15 aspects of rate design work being undertaken in relation to residential rates, RS 37 and other
16 matters.
17
18
19

20 1.2 What is the shortest interval FBC would expect until the filing of its next RDA?
21 What type of changes would be most likely to abbreviate the interval period to
22 less than eight years?
23

24 **Response:**

25 Please refer to the response to IRG IR 1.1.1.
26
27
28

29 1.3 What is the longest interval FBC would expect until the filing of its next RDA?
30 What circumstances would be most likely to extend the interval period to more
31 than eight years?
32



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1 **Response:**

2 Please refer to the response to IRG IR 1.1.1. While there may be circumstances that may
3 necessitate the filing of a COSA in a shorter than expected timeframe, FBC would not expect to
4 wait longer than 8 years unless directed by the Commission.

5

1 **Time of Use (TOU) Rates**

2 **2.0 Reference: Exhibit B-1, Section 1.8 – Optional Time of Use Rates, PDF 17, lines**
3 **7 to 13.**

4 **Preamble:** FBC states: “In addition, TOU rates have only become practical to implement
5 on a wide scale since the completion of the Advanced Metering Infrastructure (AMI)
6 project.”

7 2.1 Please confirm that since the completion of FBC’s Advanced Metering
8 Infrastructure (AMI) project TOU rates have become (i) more practical (ii) quicker
9 (iii) easier and (iv) cheaper to implement on a wide scale. Please explain.

10

11 **Response:**

12 Prior to AMI metering, TOU rates could only be implemented “on meter”. As such, a TOU-
13 capable meter required an accurate clock and calendar and separate consumption registers for
14 each TOU rate (for example, an off-peak and an on-peak consumption register). The meter
15 would also have to be pre-programmed to record consumption in the correct register based on
16 the current time, date or day of week.

17 With pre-AMI meters, there were scenarios in which every meter in the system would have to be
18 physically visited to be re-programmed or exchanged:

- 19 • If the TOU time, day or date periods ever changes.
20 • If the internal meter clock drifts or fails.
21 • If the date for daylight savings time changes (as occurred most recently in 2007).

22

23 For these reasons, it was considered impractical to implement time-based rates on a wide scale
24 due to the risk of high future costs.

25 AMI meters, by contrast, can be reprogrammed remotely to accommodate changing TOU time,
26 day or date changes or the hourly interval reads can be used to calculate time-based rates
27 centrally. In addition, AMI meter clocks are continuously synchronized with a central time
28 server.

29 As such, AMI meters are much better suited for TOU rates than conventional meters.

30

31

32

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1 2.2 Please summarize the rationale behind the TOU time periods and pricing
2 currently offered by FBC, with the adjustments proposed by FBC in this RDA. Is
3 FBC aware of any reasonable basis to apply any different rationale in respect of
4 Irrigation TOU rates?
5

6 **Response:**

7 The Company consulted with EES to provide the following response.

8 As noted in the 1997 application, the rationale for the time periods for the current TOU rates
9 was the system load shape in the mid 1990s. It was noted at the time that as far as the
10 operating characteristics of the FBC delivery system were concerned, just as now, there was
11 little daily variation in costs. However, in order to reflect market conditions for the electricity
12 commodity, the on-peak and off-peak hours in the periods were differentiated for costing
13 purposes for the commodity only. All other costs were assumed to be spread pro-rata
14 throughout the period.

15 The TOU periods in the current Application were also developed on the basis of the total system
16 load shape rather than specific shapes for different customer classes. This was done to reflect
17 the need to procure power supply for the system as a whole. Time periods were grouped
18 together on the basis of system load levels while also considering that TOU periods needed to
19 be continuous hours, having long enough TOU periods that customers would not cause the
20 system peak to shift by one or two hours rather than being reduced, and be relatively easy to
21 understand and administer.

22 The pricing for TOU rates was set to reflect the cost differentials for FBC power supply during
23 different time periods. This was done so that customers would face the appropriate price
24 signals as to how much FBC could save as a result of reduced consumption in on-peak periods.

25 FBC is not aware of any reasonable basis for developing the Irrigation TOU rates in a different
26 manner than that of any other class. The underlying basis for reducing loads to encourage
27 reduced power supply costs must reflect the entire system and should not be adjusted for any
28 particular class to better meet their own objectives. However, because of the nature of the
29 Irrigation rates and the fact that they are shifted to commercial rates in the non-irrigation
30 season, changing the terms under which TOU rates might be applied could be reasonable for
31 the class. FBC will not be in a position to draw conclusions in this regard until it completes the
32 further analysis noted in the Application.

33

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1 **Proposal to Provide Seasonal Time of Use (TOU) Rates for Irrigation Customers**

2 **3.0 Reference: Exhibit B-1, Appendix K - Letter from Keremeos Irrigation District,**
3 **PDF 711**

4 **Preamble:** The Application includes a letter from Keremeos Irrigation District (KID)
5 requesting FBC to consider implementation of an optional seasonal TOU rate for
6 Irrigation customers during the five winter months.

7 3.1 Please confirm that FBC's Irrigation customers generally have large power
8 demands during the irrigation season (April 1 to October 31) and a much lower
9 demand during the winter months (November 1 to March 31) when the irrigation
10 season has ended and the pumping systems may be idle or provide water mainly
11 for domestic use by Irrigation customers.

12
13 **Response:**

14 The Company consulted with EES to provide the following response.

15 It can be confirmed that demand is generally lower during the winter months than during the
16 irrigation season. Whether the irrigation season demands are considered "large" call for a
17 judgement that is a matter of perspective. During the non-irrigation season, pumping systems
18 may be idle or provide some domestic use.

19
20

21

22 3.2 Please confirm that RS 60 (i.e. the default Irrigation flat rate) is available to
23 Irrigation customers for only seven months per year from April 1 to October 31.

24

25 **Response:**

26 Confirmed. During the non-irrigation months, RS 60 customers are moved to the applicable
27 Commercial Service rates.

28

29

30

31 3.3 Please confirm that the only optional TOU rate currently available to Irrigation
32 customers is RS 61, which is available only to customers choosing to take that
33 rate for year-round service, thereby requiring them to forgo use of RS 60
34 Irrigation rates during the seven-month irrigation season. Please also confirm

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1 that RS 61 is not currently available to Irrigation customers as a seasonal rate for
2 the five winter months only.

3
4 **Response:**

5 Confirmed that customers must stay on their chosen rate schedule for a minimum of 12
6 consecutive months and are not able to switch rates seasonally.

7
8
9

10 3.4 Please confirm that during the five winter months of the non-irrigation season
11 from November 1 to March 31, FBC typically experiences peak load
12 requirements during the daytime and particularly in the months of December and
13 January.

14
15 **Response:**

16 During November 1 to March 31, FBC typically experiences its peak demand between 16:00
17 and 19:00 each evening. While FBC forecasts its peak demand during the month of December,
18 the actual winter peak month will vary dependent on weather. Over the past four years, 2014 to
19 2017, FBC has experienced its annual winter peak in four different months, including November
20 (2015), December (2016), January (2017) and February (2014).

21
22
23

24 3.5 To meet peak load requirements in the months of November through March does
25 FBC typically need to purchase power from external suppliers (i.e. other than
26 FBC)? Please identify the top five suppliers of power purchased by FBC to meet
27 winter peak load requirements.

28
29 **Response:**

30 Yes. FBC currently has long term contracts that are sufficient to meet its forecast winter peak
31 requirements. FBC's top third party suppliers are the Waneta Expansion Limited Partnership,
32 BC Hydro, Brilliant Power Corporation, the Brilliant Expansion Power Corporation, and
33 wholesale market supply currently through Powerex.

34
35

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1

2 3.6 Please confirm that as a general proposition power purchased from external
3 suppliers to meet FBC's peak load needs is subject to substantial price premiums
4 relative to power needed for FBC's off-peak load.

5

6 **Response:**

7 Not confirmed. FBC's contracted resources are typically long-term contracts with flat costs
8 throughout the year, and these contracts are sufficient to meet FBC forecast peak demand
9 requirements. However, as a general proposition, wholesale market prices typically increase
10 during periods of high demand in the region, mainly during winter and summer peaks.

11

12

13

14 3.7 Please provide for each of the five winter months in the past three non-irrigation
15 seasons (November 1 to March 31) the minimum, maximum and monthly
16 average premiums for peak load vs. off-peak load power purchases.

17

18 **Response:**

19 Not applicable. Please refer to the response to IRG IR 1.3.6.

20

21

22

23 3.8 Does FortisBC acknowledge that if Irrigation customers had the option to utilize a
24 winter seasonal TOU rate structure, they would have a financial incentive to
25 avoid pumping water to their reservoirs during the daytime peak load periods in
26 the winter months? Please explain.

27

28 **Response:**

29 Yes. FBC believes that any TOU rate structure should incent customers to shift consumption
30 from peak periods to off-peak periods. Irrigation customers do, however, already have a winter
31 TOU rate available through RS 61 that would provide this incentive. As FBC understands the
32 KID request, it is to have non-TOU irrigation rates available during the irrigation season, and to
33 have access to TOU rates for the balance of the year.

34

35

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1

2 3.9 If Irrigation customers reduced their power demands during peak load hours in
3 winter months by shifting water pumping to off-peak hours, as a general
4 proposition would their shift in usage enable FBC to reduce its peak load costs of
5 power purchases? Please explain.
6

7 **Response:**

8 Please refer to the response to IRG 1.3.10.
9
10
11

12 3.10 If all Irrigation customers shifted all water pumping in winter months from peak
13 load hours to off-peak load hours, what total savings in power purchase costs
14 does FBC anticipate could be achieved over the course of a five-month non-
15 irrigation season?
16

17 **Response:**

18 FBC currently has long-term contracted resources available to meet all winter peak
19 requirements, and a reduction in demand during the peak hours would not create material
20 savings in the short-term. For irrigation customers, about 20 percent of winter usage occurs in
21 the on-peak period. Total winter irrigation use is 3,657.5 MWh. The on-peak portion of that
22 would be 745 MWh. If FBC has certainty that all the peak load shifts to non-peak periods during
23 the five winter months, FBC expects there may be a small savings as FBC would likely be able
24 to sell approximately 1 additional MW of surplus capacity to the market on a daily basis.
25 However, due to typical tight spreads during the winter, which provides the basis for revenue of
26 capacity sales, the incremental revenue would be expected to be minimal. For example, with a
27 \$10 per MWh spread between peak and off-peak hours, an additional 1 MW of sales every day
28 between November 1 and March 31 would result in increased revenue of approximately \$10
29 thousand. That estimate may be on the high side, as the actual market price spread between
30 peak and off peak prices between November 1, 2017 and March 31, 2018 was only \$4.16 per
31 MWh, meaning that most days there would be zero incremental revenue and no cost savings.

32 The real savings potential for a TOU rate would be as follows: if sufficient consumption were to
33 be shifted away from the peak with certainty, it may, over the long-term, result in deferred
34 investment into new generation requirements that would otherwise be required to meet growing
35 peak demand.

36 Alternatively, if the TOU rate results in an overall reduction in load, as discussed on page 114 of
37 the Application, it is expected that power costs would be reduced by the BC Hydro Rate 3808

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1 energy rate of \$0.04863 per kWh. If that total on-peak irrigation consumption was eliminated
2 over the winter, without a shift to the mid-peak or off-peak period, power purchases costs could
3 be reduced by \$36,248.

4 No change in the current rates would be required for any of this potential to be realized since
5 FBC currently has Irrigation TOU rates available through the winter months (subject to the
6 irrigation customer being on TOU rates for the entire year).

7

8

9

10 3.11 To the extent that a shift in Irrigation winter water pumping from peak load hours
11 to off-peak load hours resulted in a net savings of power purchase costs, would
12 FortisBC expect that usage shift to result in (i) a more favorable Revenue to Cost
13 ratio for the Irrigation class or (ii) a rate-reduction benefit to all other customer
14 classes? Please explain.

15

16 **Response:**

17 The Company consulted with EES to provide the following response.

18 The shift in load from on-peak to off-peak hours, absent any power cost savings, would reduce
19 the peak demand for the Irrigation class in the two winter months used in the 2CP allocation
20 factor. This allocation factor is used to allocate demand-related power supply costs and
21 transmission costs. A shift would therefore result in fewer costs allocated to the Irrigation class
22 and a higher Revenue to Cost ratio. This would in turn increase the costs allocated to other
23 customer classes.

24 Any net savings in power supply costs would benefit all classes by lowering the overall revenue
25 requirements and any need for a rate increase. Whether this savings to non-Irrigation classes
26 would be sufficient to offset the shift in allocated costs to non-irrigation classes is uncertain.

27

1 **Proposal to Implement Irrigation TOU Rates in Winter Months**

2 **4.0 Reference: Exhibit B-1, Section 6.2.6.3 - Additional Irrigation Changes, PDF 94**
3 **and Appendix K - Letter from Keremeos Irrigation District, PDF 711**

4 **Preamble:** Keremeos Irrigation District requested that FortisBC incorporate the option
5 to allow Irrigation Customers to utilize "time of use" power rate structure during the non-
6 irrigation season.

7 4.1 If FBC accepted KID's request to provide optional TOU rates to Irrigation
8 customers in the five winter months, would it be practical to provide such
9 seasonal TOU rates commencing November 1, 2018? If not, please explain the
10 practical impediments to implementation by that date. If implementation would
11 not be practical by November 1, 2018, what later date does FortisBC expect
12 would be practical to achieve implementation?
13

14 **Response:**

15 The preamble to IRG IR 1.3.3 reads in part as follows,

16 Please confirm that the only optional TOU rate currently available to Irrigation
17 customers is RS 61, which is available only to customers choosing to take that
18 rate for year-round service, thereby requiring them to forgo use of RS 60
19 Irrigation rates during the seven-month irrigation season. [underline added]

20 FBC understands the thrust of the KID request to be to offer a non-TOU rate (such as RS 60) in
21 the irrigation season in conjunction with RS 61, rather than to provide optional TOU rates during
22 the non-irrigation season, since these rates are already available in the form of RS 61.

23 With respect to the effective dates, FBC does not have enough information on the design of
24 such a rate to be able to accurately estimate a practical date for implementation. However, no
25 design of such a rate would be possible to implement prior to November 1, 2018. New rates, in
26 particular those that have multiple components to them, require modifications to the billing
27 system and related integrated applications. Those modifications need to be designed, built and
28 tested before they can be implemented.

29
30

31
32 4.2 Please confirm that because FBC already offers year-round TOU rates to
33 Irrigation and to other customer classes the costs of implementing a seasonal
34 TOU rate for Irrigation likely would be minimal. If not, please explain why
35 introduction of these particular TOU rates may result in any significant
36 incremental costs.

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1

2 **Response:**

3 Designing and building a new TOU rate with a seasonal component is not made easier by the
4 fact that TOU rates without a seasonal component exist. Since the design of the two is not
5 identical, a brand new rate has to be designed, built and tested in FBC's billing system and
6 other integrated applications. The work required to implement TOU changes is discussed in the
7 response to BCUC IR 1.90.2.

8

9

10

11 4.3 FBC has stated that Irrigation customers "...have the ability to shift their loads in
12 the non-irrigation season, and that the change would have a minor impact on
13 other customers." (Application, PDF 94, lines 15 - 16.) Please describe the
14 nature and magnitude of that "minor impact" and indicate whether it is a positive
15 (e.g. reduced costs or rates) or negative (e.g. increased costs or rates) impact.

16

17 **Response:**

18 Please refer to the response to IRG IR 1.3.11.

19

20

21

22 4.4 FBC has stated it is "not proposing the change at this time". (Application, PDF
23 94, line 17) Is FBC's choice not to propose KID's suggested seasonal optional
24 TOU rates at this time due primarily to the expected "minor impact", or is there a
25 different primary reason or a combination of reasons?

26

27 **Response:**

28 In addition to still needing to make an assessment of the impact to other customers, FBC is not
29 proposing the implement the changes requested by KID for the reasons expressed on page 85
30 of the Application, namely:

31 FBC believes further investigation into technical and customer information
32 systems issues is required before recommending this change, and these issues
33 may require significant time and expense to overcome. It is also possible that
34 implementation issues may only have solutions that are cost prohibitive. FBC

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1 proposes to further investigate the implementation of an off season TOU
2 Irrigation and Drainage rate and to report back to the Commission.

3
4

5

6 4.5 Please confirm that most or all Irrigation customers have smart meters. Does the
7 data available to FBC through smart meters provide the necessary insight to
8 evaluate a winter seasonal optional TOU rate for Irrigation? If not, what other
9 data would be required?

10

11 **Response:**

12 The majority of irrigation customers have smart meters. Yes, the data made available by smart
13 meters will aid in the load studies discussed in the response to BCUC IR 1.55.1.

14

15

16

17 4.6 Prior to implementing the current TOU rates did FBC analyze the potential cost
18 savings that could be achieved by reduced power purchase costs as a result of
19 customers shifting usage from peak load hours to off-peak hours? If so, wouldn't
20 the same or similar analysis apply to the optional seasonal TOU rates proposed
21 by KID?

22

23 **Response:**

24 Much of the detail regarding the implementation of the existing TOU rates is no longer available
25 due to the time that has transpired since the original application was filed. There is discussion
26 of the potential for revenue shifting in the 1997 application, but no quantitative analysis. It was
27 the case that participation and revenue impacts were assumed to consider only full annual
28 participation in the rates. A partial-year participation was not considered so the analysis, if
29 completed, would not be applicable to the request made by KID.

30

31

32

33 4.7 Does FBC agree that KID's TOU rate proposal appears consistent with the
34 general TOU rationale of prompting behavioural changes that will provide cost



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1 benefits sufficient to prevent cost shifting to non-participating customers? Please
2 explain.

3

4 **Response:**

5 Please refer to the response to IRG IR 1.3.11.

6

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1 **Investigation and Implementation of KID's TOU Rate Proposal**

2 **5.0 Reference: Exhibit B-1, Section 6.2.6.3 - Additional Irrigation Changes, PDF 94**
3 **and Appendix K - Letter from Keremeos Irrigation District, PDF 711**

4 **Preamble:** "FBC believes further investigation into technical and customer information
5 systems issues is required before recommending this change, and these issues may
6 require significant time and expense to overcome. It is also possible that implementation
7 issues may only have solutions that are cost prohibitive. FBC proposes to further
8 investigate the implementation of an off- season TOU Irrigation and Drainage rate and to
9 report back to the Commission." (Application, PDF 94, lines 27 – 31)

10 5.1 Please describe more specifically the technical and customer information
11 systems issues of concern to FBC and discuss how they may differ from the
12 issues previously considered by FBC in connection with current TOU rates.
13

14 **Response:**

15 With regard to IRG IRs 1.5.1 to 1.5.10, FBC provides the following comments:

16 The Company has indicated (as repeated in the preamble to the KSCA IR 5.0 series) in a
17 general sense the types of issues that need to be examined before it can properly comment on
18 the request made by the KID.

19 The KID request was made the month prior to the filing of the Application, and while FBC
20 wanted to be responsive to it, FBC could only include it as a matter for mention, but could not
21 devote any resources to further analyzing the proposal.

22 The type of detailed information requested by KID in its information requests is simply not
23 available at this time. This is the reason that FBC indicated in the Application that it would
24 undertake the investigation and report back to the Commission when results are available.

25 FBC plans to discuss its findings with the KID prior to submitting the information to the
26 Commission, and after having done so, should be in a position to deliver a recommendation to
27 the Commission in a further 6 to 8 weeks from that point.

28
29

30

31 5.2 For each issue that may require significant time to overcome, please provide
32 FBC's estimate of the required time and an explanation of why the issue could
33 not be addressed in less time.
34

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1 **Response:**

2 Please refer to the response to IRG IR 1.5.1.

3

4

5

6 5.3 For each issue that may require significant expense to overcome, please provide
7 FBC's estimate of the required expense and an explanation of why the issue
8 could not be addressed at lower expense.

9

10 **Response:**

11 Please refer to the response to IRG IR 1.5.1.

12

13

14

15 5.4 Are the noted "technical and customer information systems issues" different from
16 the "implementation issues"? If so, please describe the nature and magnitude of
17 the implementation issues and discuss how they may differ from implementation
18 issues previously considered by FBC in connection with current TOU rates.

19

20 **Response:**

21 Please refer to the response to IRG IR 1.5.1.

22

23

24

25 5.5 Please describe all of the contemplated steps that FBC expects will be necessary
26 to adequately investigate the technical and customer information systems issues,
27 and if different, the implementation issues.

28

29 **Response:**

30 Please refer to the response to IRG IR 1.5.1.

31

32

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2 5.6 To enable the Commission to quantify how possible it is that implementation
3 issues may only have solutions that are cost prohibitive, please provide FBC's
4 estimate of the probability of each implementation issue only having a solution(s)
5 that is cost prohibitive. For each implementation issue, please provide the
6 amount at which FBC would consider the costs prohibitive.

7

8 **Response:**

9 Please refer to the response to IRG IR 1.5.1.

10

11

12

13 5.7 For each potential implementation issue that "... may only have solutions that are
14 cost prohibitive" please explain why less costly solutions might not be found or
15 developed.

16

17 **Response:**

18 Please refer to the response to IRG IR 1.5.1.

19

20

21

22 5.8 If FBC deals with KID's request in the manner it proposes in the Application, what
23 is the expected timeline required to further investigate the implementation of an
24 optional off-season TOU Irrigation and Drainage rate?

25

26 **Response:**

27 Please refer to the response to IRG IR 1.5.1.

28

29

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31 5.9 Does FBC intend to discuss the findings of its investigations with Irrigation
32 customers prior to reporting to the Commission? If not, please explain.

33

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1 **Response:**

2 Please refer to the response to IRG IR 1.5.1.

3
4

5

6 5.10 After completing its investigations how much additional time would FBC require
7 before reporting its findings to the Commission?

8

9 **Response:**

10 Please refer to the response to IRG IR 1.5.1.

11
12

13
14

15 5.11 If FBC's findings supported implementation of an optional off-season TOU
16 Irrigation and Drainage rate, what process does FBC envision for approval of the
17 new rate? For example, would FBC expect to file a revised RDA or a stand-alone
18 Application or some other process?

19

20 **Response:**

21 If FBC concludes that Irrigation customers should be permitted to take service on a non-TOU
22 rate for the irrigation season, and a TOU rate for the non-irrigation season, it is likely that the
23 related Application to the Commission would be standalone and would include all of the
24 supporting data. As there may be impacts on other customers, and general customer interest,
25 FBC anticipates that a public regulatory review would follow.

26