

# FASKEN

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

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

T +1 604 631 3131  
+1 866 635 3131  
F +1 604 631 3232  
[fasken.com](http://fasken.com)

July 7, 2020  
File No.: 240148.00934/16550

**Tariq Ahmed**  
Direct +1 604 631 4983  
Facsimile +1 604 631 3232  
[tahmed@fasken.com](mailto:tahmed@fasken.com)

## Electronic Filing

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

**Attention: Ms. Marija Tresoglavic, Acting Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. - Revelstoke Propane Portfolio  
Cost Amalgamation Application ~ Project No. 159933**

We enclose for filing in the above proceeding the Reply Submission of FortisBC Energy Inc. dated July 7, 2020.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[Original signed by]*

Tariq Ahmed

TVA/vde  
Enclosure



**Before the British Columbia Utilities Commission**

**FortisBC Energy Inc.**

**Application Regarding Revelstoke Propane Portfolio  
Cost Amalgamation Application**

**Project No. 1599033**

**Reply Submission of FortisBC Energy Inc.**

**July 7, 2020**

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## PART ONE: INTRODUCTION

1. In this Reply Submission FEI addresses the issues raised in the submissions filed by four interveners in this proceeding: BC Old Age Pensioners' Organization et al. ("BCOAPO"), Commercial Energy Consumers Association of British Columbia ("CEC"), BC Sustainable Energy Association ("BCSEA") and Canadian Biomass Energy Research Ltd. ("CBER").<sup>1</sup>

2. Of the four interveners that filed submissions, two interveners representing customer groups expressed support for FEI's Application in their submissions:

- BCOAPO, which states that it represents the interests of residential energy consumers in British Columbia,<sup>2</sup> supports FEI's Application.<sup>3</sup> BCOAPO submits that its "clients urge the Commission to accept FEI's application as filed."<sup>4</sup>
- CEC, which states that it represents the interests of ratepayers consuming energy under commercial tariffs,<sup>5</sup> supports FEI's proposal as being in the public interest. CEC recommends that the BCUC approve the Application.<sup>6</sup>

3. Accordingly, FEI has no submissions in reply to either BCOAPO or CEC.

4. FEI's Reply Submission focuses on the issues raised by BCSEA and CBER. None of the submissions raised by BCSEA and CBER call into question the ability of FEI's proposal to meet its objectives of providing rate relief and improved rate stability for FEI's Revelstoke customers. There is no doubt that it represents the least-cost, non-capital solution to address the issue of higher rates and greater price volatility experienced by Revelstoke customers.

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<sup>1</sup> Abbreviations used in FEI's Final Submission dated June 16, 2020 are also used in this Reply Submission. As FEI has focussed on the main issues raised in the intervener submissions, FEI's silence on a matter should not be construed as agreement.

<sup>2</sup> BCOAPO Submission, p. 1.

<sup>3</sup> BCOAPO Submission, p. 8.

<sup>4</sup> BCOAPO Submission, p. 9.

<sup>5</sup> CEC Submission, para. 1.

<sup>6</sup> CEC Submission, para. 4.

5. The remainder of this submission is organized as follows:
  - (a) Part Two responds to BCSEA's submissions;
  - (b) Part Three responds to CBER's submissions; and
  - (c) Part Four concludes this Reply Submission.

## **PART TWO: REPLY TO BCSEA SUBMISSIONS**

6. In this Part, FEI explains that, contrary to BCSEA's submissions:

- FEI is proposing cost amalgamation, not natural gas costs, for FEI's Revelstoke customers;
- A geographic disparity is the cause of higher rates and greater price volatility for FEI's Revelstoke customers;
- The Bonbright Principles support FEI's proposed cost amalgamation; and
- FEI's proposed cost amalgamation supports BC's energy objectives.

### **A. FEI IS PROPOSING COMMON COSTS, NOT NATURAL GAS COSTS**

7. In its submissions BCSEA mischaracterizes FEI's proposal, stating that "FEI's proposal is that Revelstoke customers would continue to receive propane but would be charged as if they were receiving natural gas."<sup>7</sup> It is perhaps a minor distinction, but FEI is proposing a commodity cost that represents the pooled costs of energy to all customers.<sup>8</sup> The difference is that FEI is proposing to charge a rate based on natural gas *and* propane costs, not solely natural gas costs as BCSEA suggests.

### **B. GEOGRAPHIC DISPARITY EXISTS IN REVELSTOKE**

8. The materials filed by FEI in the course of this proceeding explained that FEI's Revelstoke customers pay more and experience more volatility than FEI's other customers because of where they are situated and the way that rates have developed over time.<sup>9</sup> In its submissions, BCSEA asserts that "there is no geographic disparity" for FEI's Revelstoke

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<sup>7</sup> BCSEA Submission, para. 12.

<sup>8</sup> Exhibit B-7, BCUC IR 2.18.2.1.

<sup>9</sup> Exhibit B-1, Application, p. 14; Exhibit B-2, BCUC IRs 1.8.3 and 1.9.6; FEI Final Submission, Part 3.

customers.<sup>10</sup> BCSEA says this is the case because there are many locations in BC that are prevented by geography “from having either piped propane or piped natural gas” [Emphasis in original].<sup>11</sup> With respect, locations that do not receive service from FEI are not relevant to the analysis, which is about differences in the rates of FEI’s customers. The purpose of the Application is to address the higher rates and greater price volatility that are experienced by FEI’s customers in Revelstoke in comparison to FEI’s customers elsewhere in the province.

9. FEI’s proposed cost amalgamation alleviates this geographic disadvantage faced by Revelstoke customers, while minimizing the potential impact to FEI’s other customers in the province via a non-capital solution.<sup>12</sup>

### **C. BONBRIGHT PRINCIPLES SUPPORT AMALGAMATION**

10. FEI has explained why the Bonbright Principles support its proposed cost amalgamation.<sup>13</sup> (BCOAPO states that it “evaluated and accepted FEI’s analysis of Bonbright principles”,<sup>14</sup> and CEC “accepts FEI’s Bonbright assessment as being reasonable”.<sup>15</sup>) BCSEA, however, argues that Bonbright Principles 2, 3, 4, 6 and 8 support the *status quo*. FEI’s reply to BCSEA is set out below.

11. In relation to Principle 2 (fair apportionment of costs among customers), BCSEA takes the position that “Revelstoke propane customers ‘cause’ propane commodity costs and natural gas customers ‘cause’ natural gas commodity costs.”<sup>16</sup> FEI acknowledges that FEI’s Revelstoke customers pay for a more expensive commodity while receiving effectively the same service; however, BCSEA’s analysis overlooks an advantage of FEI’s proposal with respect to this principle of fair apportionment: FEI’s proposal reflects the shared cost of providing energy

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<sup>10</sup> BCSEA Submission, paras. 15 and 16.

<sup>11</sup> BCSEA Submission, para. 16.

<sup>12</sup> FEI Final Submission, paras. 69 and 70; Exhibit B-2, BCUC IR 1.8.3; Exhibit B-4, BCSEA IR 1.4.18.

<sup>13</sup> Exhibit B-2, BCUC IR 1.9.6.

<sup>14</sup> BCOAPO Submission, p. 4.

<sup>15</sup> CEC Submission, para. 60.

<sup>16</sup> BCSEA Submission, para. 21.

service, notwithstanding fuel-type.<sup>17</sup> In this way, FEI's proposal also reflects cost causation and is supported by Principle 2. As described elsewhere in FEI's submissions and evidence, the fuel-type of Revelstoke compared to other service areas is the result of geography and historical decisions that place Revelstoke customers at a disadvantage. Furthermore, all customers, even those with the same fuel type, can have a different commodity cost resulting from their geographical location and yet their costs are amalgamated for the purpose of rate setting.<sup>18</sup> FEI's proposal is consistent with the common rate setting methodology approved by the BCUC for the vast majority of FEI's customers.

12. BCSEA submits that Principle 3 (price signals that encourage efficient use and discourage inefficient use) supports the *status quo*.<sup>19</sup> While FEI acknowledges that cost amalgamation may provide a price incentive for current customers consuming propane to increase consumption,<sup>20</sup> FEI's experience is that customers such as residential and commercial customers are generally price inelastic, meaning that they are unlikely to increase consumption in response to lower fuel costs. Further, as BCSEA notes elsewhere in its submissions, the higher carbon tax for propane customers will remain in place,<sup>21</sup> meaning that there will continue to be a price signal in place to discourage GHG emissions. Finally, the lower postage stamp rates in Revelstoke will provide an added economic incentive for fuel oil consumers to convert to propane resulting in lower GHG emissions in Revelstoke.<sup>22</sup>

13. BCSEA takes the position that Principle 4 (customer understanding and acceptance) supports the *status quo*, stating that its members oppose the proposed amalgamation, but other groups will speak for themselves<sup>23</sup>. FEI submits that BCSEA's position is contradicted by the evidence and position of interveners in this proceeding. As noted at the outset of this Reply

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<sup>17</sup> Exhibit B-2, BCUC IR 1.9.5.

<sup>18</sup> FEI Final Submission, para. 58.

<sup>19</sup> BCSEA Submission, para. 22.

<sup>20</sup> Exhibit B-2, BCUC IR 1.9.5.

<sup>21</sup> BCSEA Submission, paras. 12 and 30.

<sup>22</sup> Exhibit B-2, BCUC IR 1.9.5. See also, Exhibit B-2, BCUC IR 1.6.1.

<sup>23</sup> BCSEA Submission, para. 23.



Submission, both BCOAPO and CEC, who represent customer groups, support FEI's Application. Moreover, there is broad community support for a solution to lower energy costs and reduce volatility as detailed in FEI's response to BCUC IR 2.15.1.<sup>24</sup> This included responses specific to the cost amalgamation proposal following FEI's presentation to the Revelstoke City Council:

- Councillor Brothers provided her support for the project saying she knows that FEI is working hard to find solutions for Revelstoke and also expressed her concerns over energy price impacts to families during the winter.
- Councillor Nixon asked if FEI's executive team was aware of the commodity rate amalgamation project as she wanted to ensure the project moved forward.
- Councillor English stated that it is difficult to see rates jump 12% and that he "really really hopes FortisBC is looking for a solution in Revelstoke".
- Councillor Duke stated in relation to rate amalgamation "go for it".
- Mayor McKee stated that, at the end of the day, if this works out it will be a benefit to all the customers and businesses of Revelstoke.

14. BCSEA refers to support for FEI's application from customers as "muted",<sup>25</sup> notwithstanding comments such as these, the intervention in support of the application by the City of Revelstoke, a large commercial customer (Downie Timber) and four letters of comment in support of reducing propane costs.<sup>26</sup> BCSEA refers to two letters of comment as being opposed to the amalgamation; however, one appears to support the conversion of the Revelstoke system to natural gas<sup>27</sup> (the other, while not supportive of cost amalgamation, also expresses concern about high utility costs<sup>28</sup>). FEI submits that the evidence shows that there is

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<sup>24</sup> Exhibit B-7.

<sup>25</sup> BCSEA Submission, para. 23

<sup>26</sup> E-1, E-3, E-5 and E-6.

<sup>27</sup> E-4.

<sup>28</sup> E-2.

strong public support for the cost amalgamation, which will address a long-standing concern in the community.

15. BCSEA submits that Principle 6 (rate stability), is neutral as between the *status quo* and FEI's proposal.<sup>29</sup> BCSEA appears to submit that the proposal is not in the interests of FEI's customers because there would be no reduction in the price paid for propane and FEI's natural gas customers may see increased costs. BCSEA's position places undue weight on the BCUC's decision in the 2017 Price Risk Management Plan<sup>30</sup> (the "PRMP Decision"). Part of the BCUC's reasoning in denying the application in that case was that market price volatility had declined significantly, and customers' commodity rates had been relatively stable. These conditions are not present for Revelstoke customers. BCSEA's reliance on the PRMP Decision also does not acknowledge that the BCUC has continued to approve hedging for FEI.<sup>31</sup> Moreover, BCSEA's submissions do not address the principle of rate stability. BCSEA's position overlooks the significant salutary effects on FEI's Revelstoke customers. BCSEA does not appear to dispute that FEI's Revelstoke customers would see increased rate stability and that there would be a negligible impact on FEI's other customers. FEI submits that its proposal clearly increases rate stability for Revelstoke customers and is, therefore, supported by Principle 6.

16. BCSEA submits that Principle 8 (avoidance of undue discrimination), strongly supports the *status quo* and contradicts FEI's cost amalgamation proposal.<sup>32</sup> In FEI's submission, BCSEA again gives undue weight to the minimal impact on FEI's natural gas customers (even in the most extreme scenario) while failing to give sufficient weight to the rates experienced by FEI's similarly situated propane customers in Revelstoke. FEI's position is that the changes requested are not unduly discriminatory or unduly preferential but significantly enhance revenue and energy cost stability for customers in Revelstoke without compromising on the fair allocation of

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<sup>29</sup> BCSEA Submission, para. 24.

<sup>30</sup> *FEI 2017 Price Risk Management Plan*, BCUC Order G-108-19, May 22, 2019, Decision, p. ii. Available online: [https://www.bcuc.com/Documents/Proceedings/2019/DOC\\_54034\\_2019-05-22-FEI-2017-PRMP-Decision.pdf](https://www.bcuc.com/Documents/Proceedings/2019/DOC_54034_2019-05-22-FEI-2017-PRMP-Decision.pdf).

<sup>31</sup> For example, *FEI Winter 2019/20 Sumas Risk Mitigation Application*, BCUC Order G-145-19, June 27, 2019. Available online: <https://www.ordersdecisions.bcuc.com/bcuc/orders/en/418945/1/document.do>.

<sup>32</sup> BCSEA Submission, para. 28.

the cost of the provision of energy service. FEI submits that this is particularly the case given that customers in Whistler were converted from propane to natural gas in 2010 and have been amalgamated into FEI with common rates for delivery, commodity and midstream costs.<sup>33</sup>

17. In summary, the BCUC has to weigh conflicting rate design objectives to arrive at a decision that is in the public interest, not necessarily in the interest of any particular party. The primary rate design principles that are in question are the principles of the fair apportionment of costs and rate stability (customer acceptance in this case is tied to the variability of rates experienced by Revelstoke customers). Since the differentiated cost is sufficiently small, the BCUC should place more weight on simplifying the tariff for ease of understanding and acceptance, addressing a perceived unfairness of differentiated rates for the service of receiving energy measured in GJ – i.e., to have the same price for energy service notwithstanding the location in the FEI service territory or the particular fuel type.

#### **D. COST AMALGAMATION SUPPORTS BC'S ENERGY OBJECTIVES**

18. The thrust of BCSEA's submission with respect to BC's energy objectives appears to be that FEI's cost amalgamation proposal would incent increased use of propane, resulting in increased GHG emissions. This is contrary to FEI's evidence regarding elasticity. BCSEA also expresses concerns about the effect of the proposed cost amalgamation on alternative energy sources, and questions the evidence regarding economic development the cost amalgamation may bring. These concerns are speculative and contrary to the evidence.

#### ***Customer Behaviour Anticipated to Remain Similar***

19. BCSEA submits that cost amalgamation would incent increased use of propane and increased GHG emissions.<sup>34</sup> In its Final Submission FEI explained that it does not believe that new or existing customers would appreciably change, immediately or in the near term, their required comfort level (e.g., current thermostat setting), their conservation behavior, the

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<sup>33</sup> Exhibit B-4, BCSEA IR 1.13.2; Exhibit B-7, BCUC IR 2.18.2.1.

<sup>34</sup> BCSEA Submission, para. 30.

building envelope or installed equipment due to a change in the commodity cost.<sup>35</sup> In past years, Revelstoke customers have not responded to lower rates by increasing their energy usage. FEI will continue to make all DSM programming available to Revelstoke customers. These offers include incentives on high efficiency equipment for all customer sectors and DSM education and outreach activities.<sup>36</sup> In the face of this evidence, BCSEA's submissions with respect to the increased use of propane should be rejected by the BCUC.

***Limited Impact on Existing Biomass Facility and Future Supply Options Remain Available***

20. BCSEA also expresses concern about the effect of cost amalgamation on use of waste heat, biogas and biomass in Revelstoke.<sup>37</sup> With respect to the existing biomass facility in Revelstoke, RCEC, FEI has explained that it believes any impact to RCEC will be limited, including because RCEC's service is not viable for residential homes, and the City of Revelstoke has the ability to influence new customer attachments and the retention of its existing customers despite the competitiveness of propane prices.<sup>38</sup> (RCEC's owner, the City of Revelstoke, is also in favour of the Application,<sup>39</sup> and RCEC would EC will benefit from the proposed amalgamation since RCEC is one of FEI's largest commercial customers in Revelstoke.<sup>40</sup>) FEI's proposal also does not preclude the future use of renewable natural gas supply, such as from CBER's conceptual gas plant.<sup>41</sup> FEI has also explained that it has continued to pursue EPAs for biomethane for injection into FEI's system.<sup>42</sup> BCSEA's submissions with respect to the effect of the cost amalgamation on alternative fuels should be rejected by the BCUC as they are speculative and contrary to the evidence in the proceeding.

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<sup>35</sup> FEI Final Submission, paras. 74-81.

<sup>36</sup> Exhibit B-7, BCUC IR 2.19.8.2.

<sup>37</sup> BCSEA Submission, para. 34.

<sup>38</sup> FEI Final Submission, paras. 82 and 83.

<sup>39</sup> Exhibit C3-2.

<sup>40</sup> Exhibit B-4, BCSEA IR 1.6.3; Exhibit B-7, BCUC IR 2.16.1.

<sup>41</sup> FEI Final Submission, para. 71.

<sup>42</sup> FEI Final Submission, para. 71.

***Evidence Regarding Economic Development and Job Creation is Persuasive***

21. BCSEA submits that there is no persuasive evidence that FEI's proposal would encourage economic development and the creation and retention of jobs.<sup>43</sup> As described in FEI's Final Submission, Downie Timber's evidence is that it is a global competitor in the forest products industry and not having the ability to access the same energy costs as its competitors (especially in BC), is a "market disadvantage" and impacts its continued success.<sup>44</sup>

22. In an information request, the BCUC asked Downie Timber to discuss the extent to which it is likely to increase its number of employees in Revelstoke due to changes in its Revelstoke operations under FEI's proposal. Downie Timber's response referenced 10-12 potential jobs that could be created if the high energy cost constraint was removed.<sup>45</sup> This is uncontroverted, direct evidence from an FEI customer in Revelstoke of the potential economic benefits of cost amalgamation.

23. Although FEI has not premised its cost amalgamation upon economic development and the creation and retention of jobs, there is persuasive evidence that these are potential results.

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<sup>43</sup> BCSEA Submission, para. 35.

<sup>44</sup> FEI Final Submission, para. 71 referencing Exhibit C4-2, Downie Timber Evidence.

<sup>45</sup> Exhibit C4-3, BCUC-Downie IRs 1.1.4 and 1.1.5.

### **PART THREE: REPLY TO CBER SUBMISSIONS**

24. In this Part, FEI explains that, contrary to CBER's submissions:

- (a) FEI's cost amalgamation proposal represents a reasonable apportionment of costs among FEI's customers;
- (b) Revelstoke customers pay more on a \$/GJ basis, and therefore pay more than natural gas customers;
- (c) Cost amalgamation could be expected to benefit the economy; and
- (d) CBER's anticipated increased GHG emissions from cost amalgamation are overstated.

25. The primary basis of CBER's opposition to rate relief and addressing price volatility experienced by FEI's Revelstoke customers appears to be its support for the development of a renewable natural gas ("RNG") plant in Revelstoke.<sup>46</sup> In this Part, FEI also explains that consideration of the purchase of RNG, including the conceptual project championed by CBER, would not be precluded by cost amalgamation.

#### **A. COST AMALGAMATION REPRESENTS A REASONABLE APPORTIONMENT OF COSTS AMONG FEI'S CUSTOMERS**

26. In its submissions, CBER presents an analogy of gasoline and diesel customers paying different prices for fuel, and says that in such circumstances gasoline and diesel prices should not be amalgamated.<sup>47</sup> Leaving aside the differences between regulated public utilities and competitive vehicle fuel markets, the issue is better articulated as this: would it be fair for residents of one locality to be required to pay more than residents of *all* other areas for the same service that is provided by the same service provider? CBER's analogy is problematic given the underlying nature of public utilities, but the situation would be more properly

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<sup>46</sup> CBER Submission, para. 11.

<sup>47</sup> CBER Submission, para. 17.

articulated as one in which residents of Revelstoke were required to pay more for vehicle fuel at Petro Canada than residents of all other municipalities regardless of where they filled their tank.<sup>48</sup> In such circumstances, a Revelstoke resident would be justified in asking why they are paying more to fill their tank than a non-Revelstoke resident customer at the next pump. In FEI's submission, it is fair for residents of one locality to pay the same as the residents of other areas for effectively the same service provided by the same service provider.

27. CBER also mischaracterizes FEI's position, stating: "FEI argument relies on an implied assumption that all communities in B.C. should have natural gas service (or prices), and if they do not, then they are prejudiced."<sup>49</sup> To be clear, FEI's position in this proceeding has not been that *all* communities in BC should have natural gas service. FEI's position has been that its propane customers in Revelstoke, who receive effectively the same service as its natural gas customers, should experience the same rates and price volatility as FEI's other customers.

#### **B. PAYING THE SAME AMOUNT FOR LESS IS NOT PAYING THE SAME**

28. CBER suggests that FEI's Revelstoke propane customers should not be provided with rate relief because they do not pay more on a "dollar per year basis" than natural gas customers.<sup>50</sup> This is based on a simplistic analysis that compares residential bills and suggests that Revelstoke customers pay less for energy. There are two significant problems with CBER's position.

29. The first is that a customer's bill is a function of 1) use, and, 2) price. As described throughout the proceeding, Revelstoke customers pay more on a \$/GJ basis. The only reason Revelstoke customers pay less on average is because they are using significantly less commodity. CBER appears to suggest Customer A would not be concerned about receiving half as much product as Customer B, on the basis that both paid the same amount for their bill.

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<sup>48</sup> As stated, the analogy is inapt, but FEI notes that concern regarding gasoline and diesel prices relative to neighbouring jurisdictions has been a concern that led to a recent BCUC Inquiry, the passage of the *Fuel Price Transparency Act* (the "FTA"), and administration of the FTA by the BCUC.

<sup>49</sup> CBER Submission, para. 19.

<sup>50</sup> CBER Submission, para. 20.

30. The second problem with CBER's position is that it ignores that fact that Revelstoke customers have other energy costs as well. CBER states a few paragraphs later in its submissions that its explanation for the lower use per customer of propane as compared to natural gas is the likely use of wood and/or electric heating as a secondary heat source.<sup>51</sup> Therefore, CBER's claim that FEI customers in Revelstoke have similar bills for energy service<sup>52</sup> ignores CBER's own position that Revelstoke customers are likely also paying for a secondary heat source. One CBER information request response alluded to a study that said one third of all households in Revelstoke use wood as a primary source of heat.<sup>53</sup>

31. FEI's Application is based on customers paying the same price for the energy that they use by eliminating differentials in commodity costs, the Application is not premised upon customers having similar bills.

### **C. COST AMALGAMATION WOULD BENEFIT THE ECONOMY**

32. CBER submits that propane cost amalgamation will likely harm the business of competing suppliers and retailers of electric and wood appliances.<sup>54</sup> CBER's position ignores the evidence that has been provided in this proceeding and relies heavily on speculation.

33. One of the reasons for CBER's assertion is the potential effect of cost amalgamation on RCEC.<sup>55</sup> As described above in FEI's reply to BCSEA's submissions, any impact on RCEC is expected to be limited.

34. Another reason given for CBER's assertion is that the propane price would be more "cost-competitive with wood and electricity for heat pumps".<sup>56</sup> However, as shown in the table included in CBER's own submissions, the cost per GJ of heat for electric heat pumps and

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<sup>51</sup> CBER Submission, para. 32.

<sup>52</sup> CBER's assertion is repeated elsewhere in its submissions, including at para. 39.

<sup>53</sup> Exhibit C1-7, BCOAPO-CBER IR 1.2.1.

<sup>54</sup> CBER Submission, para. 37.

<sup>55</sup> CBER Submission, para. 35.

<sup>56</sup> CBER Submission, para. 33.



cordwood is lower than propane, including after cost amalgamation.<sup>57</sup> There is also an absence of any evidence of the effect, if any, of the proposed cost amalgamation on the wood and wood pellet retailers referenced in CBER's submission.<sup>58</sup>

35. CBER engages in further speculation that lower propane prices would make residential customers "more likely to purchase other propane appliances, such as jacuzzies and stovetops, rather than electric appliances".<sup>59</sup> There is no evidence provided for this proposition. However, if it were to occur, it would benefit retailers who sell these products, which may in fact be the same retailers that sell electric appliances. In FEI's submission, the BCUC should not be concerned about protecting particular retailers or the sale of particular products, but should instead be interested in the broad economic impacts of the proposal as part of its assessment of the public interest.

36. The BCUC should reject CBER's speculation regarding the effect of the proposed cost amalgamation on competing energy suppliers and electric and wood appliance retailers. In any event, as described in FEI's Final Submission, the potential impact on other energy providers should not stand in the way of fair rates for FEI's Revelstoke customers.<sup>60</sup> Nor should the potential, highly speculative, impact on appliance retailers.

37. CBER also submits that there is no evidence that the amalgamation might result in additional jobs from Downie Timber.<sup>61</sup> As described above in reply to BCSEA's submissions, evidence filed by Downie Timber in this proceeding indicates that amalgamation could be expected to lead to 10-12 new positions in its Revelstoke operations.

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<sup>57</sup> CBER Submission, para. 33, citing Exhibit B1-9, BCUC IR 3.24.7.

<sup>58</sup> CBER submission, para. 34.

<sup>59</sup> CBER Submission, para. 36.

<sup>60</sup> FEI Final Submission, paras, 82-85.

<sup>61</sup> CBER Submission, para. 29.

**D. GHG CONCERNS ARE SPECULATIVE AND OVERSTATED**

38. CBER submits that the proposed cost amalgamation will result in increased GHG emissions as a result of 1) Revelstoke residents who currently use electricity and wood to heat their households converting to propane for heating as well as for other appliances, and 2) from the connection of new residential and commercial buildings to FEI's propane service and installation of propane heating systems and other appliances at the time of construction.<sup>62</sup>

39. With respect to the first item, it is noteworthy that CBER does not appear to place any emphasis on its own analysis with respect to GHG emissions in its submissions. FEI's Final Submission explained that CBER's analysis assumes all residential buildings currently using heating sources other than propane will be converted to propane as a result of FEI's proposed cost amalgamation. This assumption is flawed as it ignores the financial and technical challenges associated with conversions, as well as customers' individual preferences and circumstances.<sup>63</sup>

40. CBER's latest position with respect to GHG emissions appears to suggest a speculative scenario that has no basis in fact.<sup>64</sup> CBER appears to have simply assumed a conversion rate from wood heating notwithstanding that FEI's calculations demonstrated that certain types of conversions to propane provide no operating cost savings (e.g., air-source heat pump, cordwood, and the biomass district energy system operated by RCEC), while others provide a payback period that is much longer than the estimated life of the propane furnace (e.g., wood pellets).<sup>65</sup>

41. With respect to the second item, the current 90 percent propane adoption rate for new builds means that there is not much "left on the plate" for market growth, and that, at most, there would be a minimal increase in propane adoption for new builds as a result of

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<sup>62</sup> CBER Submission, para. 46.

<sup>63</sup> FEI Final Submission, paras. 28-32.

<sup>64</sup> CBER Submission, para. 52.

<sup>65</sup> Exhibit B-15, FEI Rebuttal Evidence, Question 5.

amalgamation. CBER also speculates that the result of the cost amalgamation could be the installation of “appliances like jacuzzis, stovetops, barbeques and water heaters”.<sup>66</sup> There is no evidentiary basis to conclude that this would be the case, and it is contrary to FEI’s evidence regarding price elasticity. FEI submits the BCUC should refrain from basing any decision upon speculation by CBER that is untethered from facts on the evidentiary record.

**E. RNG SUPPLY REMAINS POSSIBLE**

42. CBER’s submissions voice support for the idea of FEI purchasing RNG from a potential wood-to-gas energy plant in the Revelstoke area as an initiative that should be pursued by FEI instead of cost amalgamation.<sup>67</sup> FEI submits that this conceptual gas plant cannot be considered a viable alternative to FEI’s proposal.

43. There is no evidence in the proceeding that such a project is even feasible,<sup>68</sup> and CBER acknowledges that an RNG contract and wood-to-gas plant are not before the BCUC. However, FEI’s proposal does not preclude the future use of RNG supply. In fact, FEI would consider such a project if it is viable, regardless of whether the cost amalgamation is approved.

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<sup>66</sup> CBER Submission, para 51.

<sup>67</sup> CBER Submission, para. 55.

<sup>68</sup> CBER describes the technology as “pre-commercial” and refers to Revelstoke as a location for a potential “demonstration project”: Exhibit C1-8, CEC-CBER IR 1.5.1. See also, Exhibit C1-6, BCUC-CBER IR 1.2.13.

**PART FOUR: CONCLUSION**

44. FEI's has demonstrated that its requested cost amalgamation is just and reasonable, and is not unduly discriminatory or unduly preferential. Revelstoke customers receive effectively the same service from FEI that FEI's natural gas customers receive, but experience higher commodity costs and greater price volatility. The evidence is that approving the proposal will provide significant benefits to Revelstoke customers. The evidence also shows that these benefits can be delivered with a small impact to FEI's natural gas customers and in alignment with postage stamp ratemaking principles. The submissions of BCSEA and CBER do not provide any persuasive evidence to the contrary. The BCUC should approve the Application on the terms sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated:

July 7, 2020

***[original signed by Tariq Ahmed]***

Tariq Ahmed

Counsel for FortisBC Energy Inc.