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## Electronic Filing

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

**Attention: Mr. Patrick Wruck, Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. - Annual Review for 2022 Delivery Rates - Reply Submission**

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Reply Argument of FortisBC Energy Inc., dated November 9, 2021.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[Original signed by]*

Christopher Bystrom\*  
\*Law Corporation

CRB/NR  
Encl.



**BRITISH COLUMBIA UTILITIES COMMISSION  
IN THE MATTER OF THE UTILITIES COMMISSION ACT,  
R.S.B.C. 1996, CHAPTER 473**

**AND**

**FORTISBC ENERGY INC.  
ANNUAL REVIEW FOR 2022 DELIVERY RATES  
PROJECT NO. 1599232**

**REPLY ARGUMENT  
OF  
FORTISBC ENERGY INC.**

**November 9, 2021**

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## **PART ONE: INTRODUCTION AND OVERVIEW**

1. This is the annual review for the third year of the 2020 to 2024 Multi-Year Rate Plan (MRP) approved by British Columbia Utilities Commission (BCUC) Order G-165-20, issued on June 20, 2020. In its Annual Review for 2022 Delivery Rates (Application) filed on July 30, 2021,<sup>1</sup> FortisBC Energy Inc. (FEI) is seeking approval of its 2022 delivery rates. FEI submits that it has presented its 2022 revenue requirements in a clear and transparent manner and, through its responses to information requests (IRs) and discussion at the Workshop, has responded to the concerns raised by the BCUC and interveners in this proceeding. In this reply submission, FEI seeks to respond further to the concerns and comments raised by interveners in their final submissions.
2. FEI's approvals sought are set out in the Application, as amended,<sup>2</sup> and include a delivery rate increase of 8.07 percent, effective January 1, 2022.
3. On September 28, 2021, FEI responded to IRs from the BCUC and interveners, including the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre (BCOAPO), the BC Sustainable Energy Association (BCSEA), the Commercial Energy Consumers Association of BC (CEC), the Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP) and the Residential Consumer Intervener Association (RCIA). A workshop was held on October 15, 2021 (Workshop), and FEI's presentation materials and the transcript of the Workshop were placed on the record in the proceeding.<sup>3</sup> FEI filed responses to an undertaking from the Workshop on October 20, 2021.<sup>4</sup> On October 27, 2021, in recognition of concerns expressed by the Panel in the Workshop, FEI amended its request in relation to the Regional Gas Supply Diversity (RGSD) project.<sup>5</sup> FEI's amended request seeks approval of the RGSD

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<sup>1</sup> Exhibit B-2, Application.

<sup>2</sup> Exhibit B-11, Appendix A.

<sup>3</sup> Exhibit B-9.

<sup>4</sup> Exhibit B-10.

<sup>5</sup> Exhibit B-11.

Project Development Costs deferral account for the purpose of developing the project up to an amount of \$11.1 million – enabling the commencement of initial development work and critical early engagement with Indigenous groups. FEI submits that it has justified its approvals sought, and the Application should be approved as filed.

4. On October 28 and 29, 2021, BCOAPO, BCSEA, CEC, MoveUP and RCIA filed final arguments. The submissions of interveners show broad support for FEI’s Application. BCOAPO states that the BCUC should largely grant the approvals sought, subject to certain caveats (addressed below).<sup>6</sup> BCSEA supports FEI’s proposed permanent delivery rate increase for 2022, although opposes the approval of the RGSD Project Development Costs deferral account.<sup>7</sup> CEC finds the application and accompanying evidence to be “well-supported” and recommends that the BCUC approve FEI’s application as filed, subject to changes to the I-Factor calculation, and any variances arising from changes in a reduction to Rate Schedule 46 demand.<sup>8</sup> MoveUP agrees that the relief sought by FEI should be granted.<sup>9</sup> RCIA does not oppose the approvals sought by FEI, although objects to “tacit approval” to initiate development of the RGSD project.<sup>10</sup>

5. In the remainder of this Reply Argument, FEI responds to the concerns and comments of interveners, making the following points:

- An expanded Annual Review process is not warranted given the design of the MRP and other proceedings before the BCUC.
- FEI is not proposing rate smoothing in this proceeding.
- FEI’s calculation of the inflation factor is consistent with the MRP and changes to the MRP are out of scope of this proceeding.
- FEI’s forecast for LNG Non-NGT demand is reasonable.

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<sup>6</sup> BCOAPO Final Argument, p. 7.

<sup>7</sup> BCSEA Final Argument, p. 11.

<sup>8</sup> CEC Final Argument, pp. 3, 37.

<sup>9</sup> MoveUP Final Argument, pp. 4, 6.

<sup>10</sup> RCIA Final Argument, p. 14.

- FEI will take into consideration RCIA’s comments regarding FEI’s sustainment capital and will be forecasting its sustainment capital for the remaining years of the MRP in the next Annual Review.
- FEI is actively responding to changes in its operating environment that are resulting in a reduced capture rate.
- FEI’s proposed RGSD Project Development Costs deferral account is just and reasonable.
- FEI’s SQI performance is indicative of a high level of service quality.

## **PART TWO: REPLY TO INTERVENER COMMENTS**

### **A. 2020-2024 MRP Designed to Respond to Changes in FEI’s Operating Environment**

6. MoveUP and BCOAPO propose that the next Annual Review be expanded to consider the impact of policy initiatives and consider whether changes to the MRP are required.<sup>11</sup> FEI submits that an expanded Annual Review is not warranted for the following reasons:

- **MRP is Designed to Provide Flexibility for FEI to Respond to Policy:** The MRP is a hybrid form of performance-based ratemaking<sup>12</sup> that has cost of service features designed to provide FEI with the flexibility to respond to changing policies in its operating environment. In particular, the MRP allows FEI to forecast costs related to clean growth initiatives on a flow-through basis. This aspect of the MRP is working as shown by FEI’s requests in this proceeding related to its renewable gas program.<sup>13</sup> Other key features of the MRP that provide flexibility are that approval of major projects is provided outside the MRP framework, and FEI may seek exogenous factor treatment of unforeseen items beyond its control. There are no indications at this time that the MRP is not sufficiently flexible to allow FEI to respond to policy. BCOAPO and MoveUP have not described anything in particular that is not working as expected.
- **Annual Review is Not an Opportunity for Reconsideration of the MRP Decision.** The Annual Review is designed to review FEI’s performance under the MRP.<sup>14</sup> As the BCUC has recently confirmed, the Annual Review is not an opportunity to reconsider the MRP.<sup>15</sup>

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<sup>11</sup> MoveUP Final Argument, pp. 1-2; BCOAPO Final Argument, pp. 3-4.

<sup>12</sup> Decision and Order G-165-20, Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024, p. 170 (MRP Decision).

<sup>13</sup> Exhibit B-2, Application, p. 45; Exhibit B-6, CEC IR1 30.1.

<sup>14</sup> MRP Decision, p. 165.

<sup>15</sup> Decision and Order G-42-21, dated February 12, 2021, p. 14.

- **Annual Review is Not Designed to Accommodate a Broad Review of Policy Impacts to FEI:** The Annual Review is a relatively abbreviated process that is able to start and end by the end of the calendar year so that delivery rates can be set January 1. Expanding the Annual Review to consider the impact of policy would require more process steps and would undermine the efficiency of the Annual Review process, which is a key element of the MRP. In short, the Annual Review is not a suitable forum to consider the policy issues raised by BCOAPO and MoveUP.
- **Other Proceedings Will Provide an Appropriate Forum:** There are other proceedings before the BCUC that will provide the BCUC and interveners the appropriate forum in which to discuss policy impacts to FEI. Amongst others, these include FEI's long-term gas resource plan, to be filed in March 2022, and FEI's comprehensive review of its renewable gas program, to be filed in December 2021. These processes will provide forums in which the discussion of policy impacts to FEI can be explored.

7. FEI submits that MoveUP and BCOAPO's request for an expanded Annual Review should not be accepted.

#### **B. FEI Is Not Proposing Rate Smoothing**

8. FEI is not seeking to smooth rates in this proceeding, although the topic was raised during the proceeding.<sup>16</sup> RCIA submits that it does "not support rate smoothing because it does not satisfy the conditions of either Current Revenue Sufficiency or Future Revenue Sufficiency because 1) there is no current revenue sufficiency to withhold and apply to future years, and 2) there is an expectation of increasing costs and corresponding rate increases related to the major capital projects".<sup>17</sup> FEI generally agrees. As noted by Ms. Roy, FEI has proposed rate smoothing in the past when FEI had a revenue surplus and knew there were upcoming years when there would be larger rate increases. However, FEI has not generally practiced deferring rate increases on the expectation of lower rates in the future, unless it has a very strong indication that those rates will be lower in the future.<sup>18</sup> FEI does not have such a strong indication at this time.<sup>19</sup> Thus,

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<sup>16</sup> Workshop Transcript, p. 122, ll. 16-18.

<sup>17</sup> RCIA Final Argument, p. 8.

<sup>18</sup> Workshop Transcript, p. 122, l. 19 to p. 123, l. 11.

<sup>19</sup> Exhibit B-3, BCUC IR1 1.2.

while FEI is not opposed to rate smoothing, FEI is not proposing any rate smoothing in this proceeding.

**C. Calculation of the Inflation Factor is Consistent with the MRP**

9. The CEC recommends “a reduction to the inflation factor or I-Factor to 2.500%, which is the calculation of the I-Factor if longer term averages are used similar to FEI’s suggested justification for retaining higher inflation factors than it is experiencing.”<sup>20</sup> FEI submits that the CEC has not provided a reasonable evidentiary foundation for its proposal of a 2.5 percent I-Factor, which was not the subject of any evidence in this proceeding. Moreover, FEI submits that the CEC’s suggestion is out of scope of this proceeding. The BCUC considered and rejected a similar proposal in FortisBC Inc.’s Annual Review for 2020-2021 Rates, as follows:<sup>21</sup>

The Panel is satisfied that the I-Factor should remain as approved in the MRP Decision. In our view, adjusting the I-Factor, or the BC-AWE which is a component of the I-Factor calculation, in response to the COVID-19 pandemic would be a premature reaction to a global event which has not yet ended. There is little doubt that the pandemic will have a financial impact on FBC. The extent of the impact, however, remains to be seen and there is no evidentiary basis on which to attempt to adjust the 2021 BC-AWE at this time.

Fundamentally, however, and from a bigger picture, adjusting elements of the formula O&M is outside the scope of any Annual Review. The purpose of the Annual Review is not to unravel or revisit the MRP Decision, rather, as the BCUC stated in that decision, the “Annual Review process is designed to provide the BCUC, interveners and interested parties the opportunity to review the performance of [FBC] over the prior year.”

10. FEI submits that that Panel’s comments in the decision above are equally applicable to this proceeding.

11. FEI reiterates that it expects that over time the higher AWE trend will reverse as the labour impacts from the COVID-19 pandemic lessen and that the near-term increases observed in the AWE will be offset in subsequent years. Further, it is inappropriate to “cherry pick”

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<sup>20</sup> CEC Final Argument, paras. 40-41.

<sup>21</sup> Decision and Order G-42-21, dated February 12, 2021, p. 14.



individual components of the MRP which may be going in one direction, when there are other components that may be going in the other. The MRP is designed to work as a whole, and changes to one individual component should not be made without consideration of the others. For example, while the AWE may seem high, the CPI used for the 2022 formula O&M may be low and not necessarily reflecting the inflationary pressures FEI faces in 2022 for its non-labour expenditures.<sup>22</sup>

**D. FEI's Forecast for LNG Non-NGT Demand is Reasonable**

12. The CEC submits that the BCUC should reduce FEI's forecast for LNG Non-NGT demand by 25 percent,<sup>23</sup> and require FEI to reforecast its LNG costs with a lower demand forecast for the LNG Non-NGT.<sup>24</sup> FEI disagrees. FEI's LNG Non-NGT forecast for 2022 is significantly higher than past years based on the expectations from FEI's customers in this area. At the Workshop, Mr. King explained how this relatively new area of FEI's business - LNG exports to Asia - has been impacted by the pandemic, such that the demand from recent years is not a good basis on which to forecast demand for 2022.<sup>25</sup> Mr. King explained the support for FEI's expected growth in demand in 2022 as follows:<sup>26</sup>

In midway through this year, when we developed this forecast, we were in discussions with multiple customers. These are qualified customers that we have done business with that own assets that are able to take LNG supplies in quick, short order. They were all very optimistic about what the future looked like and how the pandemic was ending. Everyone was expecting shipping to normalize. And the customer confidence on being able to take LNG was high. This was the same kind of theme that we were getting in the industry and understanding from what was going on.

So, the forecast for 2021 and '22 is based on uncontracted volumes but based on customer expectations. What we've seen lately, the LNG price in Asia has been at very high levels. These customers are still looking to take LNG supply. Shipping, unfortunately, didn't normalize as quickly as we would have liked it. In fact, since

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<sup>22</sup> Exhibit B-6, CEC IR1 2.2.

<sup>23</sup> CEC Final Argument, para. 91.

<sup>24</sup> CEC Final Argument, para. 139.

<sup>25</sup> Workshop Transcript, p. 43, l. 10 to 22.

<sup>26</sup> Workshop Transcript, p. 43, l. 23 to p. 44, l. 25.

the spring to the fall it actually resulted in new highs. But in recent weeks here we've seen the shipping costs starting to come down, while prices in Asia still remain very high.

So, we have these customers that we expect are going to be starting to take supply and take advantage of the high prices and the reduced shipping costs. But this is obviously difficult, it's subject to externalities that we can't control. But things are looking up and we're confident that these customers will begin taking supply in a short order.

13. In short, FEI's LNG Non-NGT forecast is supported by the expectations of customers that are ready to begin taking supply, high LNG prices in Asia and lowering shipping costs. Therefore, FEI submits that its forecast is reasonable and should be accepted for the purpose of setting 2022 delivery rates.

**E. FEI Will Forecast its Sustainment Capital Expenditures for the Remainder of MRP in the Next Annual Review**

14. The RCIA does not oppose FEI's proposed 2022 delivery rates, including 2022 capital expenditures, but makes a number of general comments on FEI's sustainment capital and CPCN projects.<sup>27</sup> FEI recognizes that the RCIA was not a participant in the MRP proceeding and therefore may be unfamiliar with FEI's capital planning and prioritization process. Further, as RCIA's comments were generally not the subject of IRs or questioning during the proceeding, FEI did not have the opportunity to respond to the RCIA's concerns during the evidentiary phase of the proceeding. FEI can assure the RCIA that it prudently manages its capital portfolio and considers opportunities to reduce spending, including by deferring capital projects where prudent to do so. FEI will take the RCIA's comments under advisement as it prepares its forecast capital expenditures for 2023 and 2024.

**F. FEI is Actively Responding to Changes in the Rate of Customer Growth**

15. In response to BCOAPO's concern regarding reductions to FEI's capture rate,<sup>28</sup> FEI recognizes the negative impacts of reduced customer growth on all of its customers and is

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<sup>27</sup> RICA Final Argument, p. 11.

<sup>28</sup> BCOAPO Final Argument, pp. 9-11.

actively exploring available options to address this growing dynamic. As Mr. Wolfe explained at the Workshop, FEI is exploring options both through its renewable gas program and demand-side management program to reduce emissions and meet municipal targets.<sup>29</sup> As noted above, FEI will be filing an application for the comprehensive review of its renewable gas program later this year. Mr. Wolfe also noted that FEI has seen a greater uptake in conversions on Vancouver Island and some in the Lower Mainland that has helped offset the reduced capture rate in new construction.<sup>30</sup> The result is that FEI's gross customer additions for 2021 and 2022 do not show a decline compared to past years.<sup>31</sup>

**G. Approval of the Regional Gas Supply Diversity (RGSD) Project Development Costs Deferral Account Is Just and Reasonable**

16. FEI is requesting approval of an RGSD Project Development Costs deferral account to capture costs related to the development of the RGSD project up to \$11.1 million for the Pre-Phase 1 and Phase 1A activities described in Exhibit B-11.<sup>32</sup> These development costs are primarily for the purpose of early engagement with Indigenous groups, which is a necessary early step to determine whether the project is feasible and in the public interest. FEI proposes to file a separate RGSD Project Development application in the first quarter of 2022, seeking BCUC approval to proceed with the balance of the RGSD project development spending for Phase 1B, currently estimated at \$38.2 million.<sup>33</sup>

17. In response to questions from the Panel regarding the effect of approving the RGSD Project Development Costs deferral account, FEI has clarified that it is seeking "tacit approval" to proceed with development of the project up to \$11.1 million. By this, FEI is referring to the implicit approval that may be considered to flow from the approval of a deferral account in the ordinary course. More explicitly, FEI means that it is seeking the BCUC's determination that it is reasonable for FEI to proceed with development of the project up to \$11.1 million, but not that

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<sup>29</sup> Workshop Transcript, p. 24, l. 15 to p. 26, l. 25.

<sup>30</sup> Workshop Transcript, p. 35, ll. 18-24.

<sup>31</sup> Exhibit B-2, Application, Figures 3-2 and 3-5.

<sup>32</sup> Exhibit B-2, Application, pp. 134 to 141, as amended by Exhibit B-11.

<sup>33</sup> Exhibit B-11, p. 2.

any particular dollar spent is prudently incurred. FEI recognizes that recovery of the \$11.1 million is still subject to a retrospective prudence review regarding how FEI actually spent the dollars to develop the RGSD project.

18. As shown in the figure below,<sup>34</sup> the RGSD project (grey dotted line and grey boxes) would be an extension of FEI's Southern Crossing Pipeline (SCP) from Oliver to Huntingdon in the Lower Mainland.<sup>35</sup>



19. The concept of the RGSD project has been under consideration for many years. FEI discussed the concept in previous applications to the BCUC, including FEI's Long-Term Gas Resource Plans and Annual Contracting Plans. In particular, FEI discussed the concept in detail in FEI's L-31-20 Compliance Filing to its Annual Contracting Plan, which provided an assessment of risks to gas supply resiliency and discussion of alternatives available to mitigate these risks, as directed by the BCUC. In the L-31-20 Compliance Filing, FEI identified the Southern Crossing Project Expansion to Huntingdon as the preferred choice of pipeline development from a resiliency standpoint, given that this solution would create a path to Huntingdon that is entirely different than the T-South system. FEI also discussed this preferred solution in the recent Tilbury LNG Storage Expansion CPCN Application, which is currently before the BCUC.<sup>36</sup>

<sup>34</sup> Exhibit B-9, Workshop Presentation, slide 36.

<sup>35</sup> Exhibit B-2, Application, p. 134.

<sup>36</sup> Exhibit B-11, p. 2.

20. It is reasonable to begin development work on this project as FEI's work to date suggests that there are significant benefits for FEI customers, that the project will help to support provincial and federal climate and energy initiatives and strategies, that there will be industry support for the project, and that it will be cost competitive compared to other alternatives.<sup>37</sup> FEI believes that the RGSD project will provide significant benefits with respect to system resiliency, gas supply, decarbonization, and Indigenous reconciliation. In summary:<sup>38</sup>

- (a) Resiliency: The RGSD project will add resiliency to the FEI system by providing a secondary source of supply to the Lower Mainland that can provide extended resiliency over the medium and long term.
- (b) Gas Supply: The energy supply benefits for FEI customers include diversifying sources of gas supply, and improved access to AECO, the most liquid and largest gas trading hub in western Canada. The project will also provide a regional energy solution to address current transmission capacity constraints.
- (c) Decarbonization: The project will accelerate BC's clean energy transformation by being built to be capable of transporting renewable and low carbon gaseous energy supplies such as hydrogen, and by increasing the access to clean energy supply from the BC Southern Interior and Alberta. The project is consistent with FEI's Clean Growth Pathway to 2050 and will help to support Canada's hydrogen strategy, Alberta's 2020 natural gas vision and strategy, BC's CleanBC plan and BC's hydrogen strategy released earlier this year.
- (d) Indigenous reconciliation: The project will also create opportunities for Indigenous groups. Through meaningful engagement FEI will work with Indigenous groups to identify opportunities to create significant and lasting benefits.

21. To investigate these benefits as well as other aspects of the project, FEI needs to complete the Pre-Phase 1 and Phase 1A development work. In particular, it is essential that FEI continue with early engagement with Indigenous groups, which is a key requirement for projects to move forward and must begin early in the project development process. It is only through this early engagement and development of the feasibility of the project that FEI will be able to present information to the BCUC to enable an assessment of whether the project is in the public interest. Given the importance of early Indigenous engagement for any infrastructure solution, FEI

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<sup>37</sup> Workshop Transcript, p. 56, ll. 15-21.

<sup>38</sup> Workshop Transcript, p. 56, l. 22 to p. 58, l. 5

believes that the Pre-Phase 1 and Phase 1A work will be useful in the future, even in the unlikely event the RGSD project is delayed or there are routing adjustments that come to light, given the need for gas infrastructure on FEI's system in the interior of British Columbia.<sup>39</sup> Therefore, FEI submits that it is reasonable at this time for it to initiate development of the RGSD project.

22. FEI also submits that approval of the RGSD Project Development Costs deferral account reflects the most appropriate regulatory treatment of these costs,<sup>40</sup> satisfies the BCUC's deferral account filing checklist considerations,<sup>41</sup> and is consistent with the BCUC's past practice.<sup>42</sup>

23. As noted above, in light of the concerns expressed by the Panel in the Annual Review Workshop, FEI proposes to file a separate RGSD Project Development application in the first quarter of 2022 seeking BCUC approval of the balance of the RGSD project development spending for Phase 1B, currently estimated at \$38.2 million. This separate RGSD Project Development application will include a more detailed RGSD project business case and the timing of the application will be aligned with the filing of FEI's 2022 Long-Term Gas Resource Plan (anticipated to be filed in March 2022), which will provide further evidence on the long-term strategy for resources in the region. In this separate RGSD Project Development application, FEI expects to request approval of the balance of development spending by June 1, 2022, so that RGSD project development can continue without delay.<sup>43</sup>

24. In summary, FEI submits that approval of the RGSD Project Development Costs deferral account is just and reasonable. The potential for this project has been discussed for many years and there are significant potential benefits to customers that need to be explored to determine if proceeding with the project is in the public interest.

25. In their final arguments, the CEC supports approval of the deferral account and the RCIA also does not object to its approval, although RCIA objects to tacit approval to initiate

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<sup>39</sup> Exhibit B-11, p. 3.

<sup>40</sup> Workshop Transcript, p. 69, l.19 to p. 73, l. 4, Presentation of Ms. Walsh.

<sup>41</sup> Exhibit B-2, Application, pp. 139-141.

<sup>42</sup> Workshop Transcript, p. 73, ll. 8-19.

<sup>43</sup> Exhibit B-11, p. 2.

development of the project. BCOAPO and BCSEA oppose approval of the deferral account. In the subsections below, FEI responds to comments from interveners in their arguments.

**(a) FEI's Amended Request Responded to Feedback from the Panel and Does Not Raise Procedural Fairness Issues**

26. BCOAPO argues that FEI's amended request may raise issues of procedural fairness, suggesting that FEI has not presented its evidence in a timely manner.<sup>44</sup> FEI submits that BCOAPO has not fairly characterized the evidentiary record or the nature of FEI's request. FEI's evidence supporting its request for the deferral account and information on the development of the RGSD project was presented in FEI's Application, IR responses and Workshop Presentation. In the Application, FEI provided supporting information for the RGSD Project Development Costs deferral account, including:<sup>45</sup>

- A discussion of the need for regional gas supply diversity, and the potential benefits of the RGSD project;
- A description of development activities and costs proposed to be recorded in the deferral account; and
- How the deferral account complies with the BCUC's deferral account filing checklist.

27. FEI provided significant further details on the development costs and the proposed deferral account in response to IRs,<sup>46</sup> in its Workshop Presentation,<sup>47</sup> and in response to questions at the Workshop.<sup>48</sup> In FEI's submission, BCOAPO has had numerous opportunities to become familiar with FEI's evidence and proposed deferral account and ask questions in writing and orally at the Workshop.

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<sup>44</sup> BCOAPO Final Argument, p. 5.

<sup>45</sup> Exhibit B-2, Application, pp. 134-141.

<sup>46</sup> Exhibit B-3, BCUC IR1 21 series.

<sup>47</sup> Exhibit B-9, pp. 39-40; Workshop Transcript, pp. 55-61, Presentation by Mr. King and p. 69, l.19 to p. 73, l. 4, Presentation of Ms. Walsh.

<sup>48</sup> Workshop Transcript, p. 61, l. 11 to p. 69, l. 14; p. 73, l.7 to p. 76, l. 20 and p. 110, l. 6 to p. 121, l. 25.

28. FEI's letter of October 27, 2021 did not change FEI's budget for the development costs, the nature of the RGSD project or any of the evidence presented in the proceeding. Rather, FEI's letter did three things in response to feedback it received from the Panel at the Workshop:

- (a) FEI reduced the scope of the deferral account to \$11.1 million. For this purpose, FEI divided the development costs into Pre-Phase 1, Phase 1A and Phase 1B costs; however, FEI did not change the development activities, costs or overall budget from what was described earlier in its evidence.
- (b) FEI proposed a further regulatory process to consider the remainder of the development costs.
- (c) FEI clarified in response to the Panel's questions at the Workshop that FEI was seeking "tacit approval" to initiate development of the project – but only up to \$11.1 million and with the recognition that the costs would still be subject to a prudence review after the fact. This is discussed further in the following two subsections.

29. No intervener requested further time to consider FEI's amended request or objected to the filing. Rather, interveners commented on FEI's amended request in their submissions and, aside from BCOAPO, no intervener raised any concern regarding the timing of the filing. Moreover, BCOAPO itself did not submit that the BCUC should not accept the filing of the letter or request any further process for its consideration; on the contrary, BCOAPO commented on the letter and opposed FEI's request. In FEI's submission, BCOAPO's submissions related to procedural fairness rest on a mischaracterization of the content and effect of FEI's amended request and should not be accepted.

**(b) Development Costs Remain Subject to Review and Approval by the BCUC**

30. BCOAPO argues that approval of the deferral account "is akin to asking the Commission to write FEI a blank cheque on ratepayers' behalves for the development of a project that has not been adequately considered by the Commission or interveners."<sup>49</sup> FEI submits that BCOAPO has mischaracterized FEI's proposal and the effect of approving the deferral account. Contrary to BCOAPO's submissions, FEI's request imposes limits on FEI's spending in three key ways:

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<sup>49</sup> BCOAPO Final Argument, p. 5.



- (a) First, FEI has circumscribed the scope of the account to \$11.1 million.
- (b) Second, FEI has articulated its understanding that the balance in the account would be subject to a prudence review after the fact.
- (c) Third, FEI has proposed a further regulatory process to consider the remainder of the development costs.

31. BCOAPO's argument suggests that the BCUC would need to assess the public interest of the project now, before development costs are incurred. However, this is not possible – the nature of the development costs is that they need to be incurred for FEI to gather and prepare the evidence to allow the BCUC and interveners to assess the public interest in proceeding with the project.

32. FEI submits that its proposal is a balanced one that responds to the concerns raised in the proceeding, while allowing FEI to begin development of the project, including the important work of early engagement with Indigenous groups.

**(c) FEI's Request for "Tacit Approval" is Reasonable**

33. The RCIA does not oppose approval of the deferral account, but objects to FEI's request for "tacit approval from the BCUC to initiate development of the Project" and submits that it is unclear what such an approval means.<sup>50</sup> FEI's reference to "tacit approval" was made to address the questions from the Panel at the Workshop and refers to the idea that, in the absence of any commentary to the contrary from the BCUC in its Decision, approval of the deferral account could reasonably be interpreted as "tacit approval" to initiate development of the project. In response, FEI has made it explicit that it is seeking such "tacit approval". In this sense, FEI submits that it is seeking only what would usually flow from approval of a deferral account. However, to be more explicit, FEI means that it is seeking the BCUC's determination that it is reasonable for FEI to initiate development of the project up to \$11.1 million, but not that any particular dollar spent is prudently incurred. FEI recognizes that recovery of the \$11.1 million is still subject to a

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<sup>50</sup> RCIA Final Argument, p. 12.

retrospective prudence review regarding how FEI actually spent the dollars to develop the project.

34. More generally, FEI submits that the BCUC has discretion over the extent of the approval it grants when approving a deferral account. On one end of the spectrum, the BCUC can grant a deferral account purely as a regulatory mechanism to capture certain costs without any “tacit approval” to incur such costs or determination on the prudence of the utility’s actions. On the other end of the spectrum, the BCUC could approve a deferral account and at the same time approve the prudence of the expenditures for recovery in rates. The nature of the BCUC’s approval is at the BCUC’s discretion to articulate in its Decision.

35. In the present case, FEI is seeking approval of the RGSD Project Development Costs deferral account and submits that there is sufficient evidence for the BCUC to conclude that it is reasonable for FEI to initiate project development up to the initial \$11.1 million. To be clear, FEI is not suggesting that the BCUC approve the prudence of the expenditures, which would be subject to review at a later date.

36. RCIA implicitly agrees that the BCUC can do what FEI has requested. RCIA states that it supports FEI’s proposal to break down the project development into components, stating that this “change effectively adds a stage gate to the approval process which allows both FEI and the BCUC to assess emerging project risks and evaluate whether there is merit to continuing with project development.”<sup>51</sup> FEI agrees. FEI submits that there is merit to proceeding with the initial development at this time and is proposing a second regulatory process to determine the merits of continuing with the project development.

**(d) RGSD is Consistent with the Province’s Energy Transition**

37. BCSEA submits that the RGSD project could be unnecessary and inconsistent with reducing the consumption of conventional natural gas to contribute to meeting BC’s GHG emissions reduction objectives.<sup>52</sup> FEI submits that it is not necessary for the BCUC to determine

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<sup>51</sup> RCIA Final Argument, p. 12.

<sup>52</sup> BCSEA Final Argument, p. 4.

the project is necessary or consistent with GHG reduction objectives at this time; nor would it be possible for the BCUC to do so. However, FEI submits that it is important to proceed with development of the RGSD project to determine whether it is in fact in the public interest, including due to the need to contribute to the energy transition by creating a hydrogen-ready pipeline to the Lower Mainland.

38. One of the key benefits of the RGSD project is to support FEI's decarbonization initiatives.

FEI explained in the Application:

FEI is a critical partner in implementing the federal and provincial governments' GHG reduction objectives. To demonstrate FEI's commitment to BC's climate goals, FEI developed the Clean Growth Pathway to 2050, which is a public response to the provincial government's consultation period on CleanBC. One of the key initiatives identified in the study is to reduce the carbon intensity of FEI's gas supply portfolio. FEI will achieve this by increasing the proportion of Renewable Gases (RG) in its portfolio, including hydrogen and RNG. In order to achieve the CleanBC targets, FEI will need close to 75 percent low carbon fuel by 2050. RG supply is a key component of FEI's Clean Growth Pathway, and will require pipeline transportation capacity. The RGSD Project will create the pipeline infrastructure required to transport physical RG to FEI's load centres. The RGSD Project presents an opportunity to build a pipeline to transport cost-effective hydrogen blends in the future. To be hydrogen compatible, as envisioned by the BC Hydrogen Strategy, a critical component of the analysis in the development phases will be to determine the metallurgical composition of the pipe and levels of compression required that would enable the flow of RG, specifically hydrogen, effectively and safely through the pipeline system.<sup>53</sup>

39. Proceeding with the development of the RGSD project will allow FEI to bring forward to the BCUC the necessary evidence to make a determination in the public interest. FEI submits that the BCUC should not pre-judge this determination at this time, but approve the RGSD deferral account so that FEI can proceed with the initial phase of project development and bring forward a further application for the remainder of the development costs.

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<sup>53</sup> Exhibit B-2, Application, pp. 136-137.

**(e) Costs Associated with the Proposed Process for RGSD Project Development Costs**

40. RCIA recommends that FEI address the additional regulatory costs of the additional regulatory proceeding to consider the development costs of the RGSD project.<sup>54</sup> Consistent with FEI's past practice, FEI will be seeking a mechanism to capture the costs of the regulatory process for review of the development costs of the RGSD project.

**H. Service Quality Indicator Performance Indicates a High Level of Overall Service Quality**

41. In the subsections below, FEI responds to the comments from interveners on FEI's SQI performance related to meter-reading, telephone service factor (non-emergency) and average speed of answer.

**(a) Meter-Reading Performance for 2021 Will be Assessed in 2023 Annual Review**

42. As acknowledged by MoveUP, BCOAPO and the CEC, FEI's meter reading accuracy results for 2020 and 2021 have been impacted by the COVID-19 pandemic.<sup>55</sup> These impacts were also recognized in BCUC Letter L-20-20 (dated March 31, 2020), which granted utilities relief from meter reading when necessary.<sup>56</sup> FEI primarily attributes the impact of the COVID-19 pandemic on meter reading to the introduction of safety guidelines and reduced staffing levels at its meter reading service provider, Olameter, due to COVID-19 isolation requirements.<sup>57</sup>

43. Even so, BCOAPO argues that FEI has had adequate time to implement necessary practices and protocols to return to normal service levels in 2021.<sup>58</sup> While FEI expects that the utility's 2021 actual results will reach the threshold level, FEI submits that it has continued to deliver safe, reliable and adequate service. In any event, the BCUC's assessment in this proceeding relates to FEI's 2020 results, rather than its 2021 year-to-date performance which is not yet finalized and will be a subject of next year's annual review proceeding.

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<sup>54</sup> RCIA Final Argument, p. 13.

<sup>55</sup> MoveUP Final Argument, p. 4; BCOAPO Final Argument, p. 7; CEC Final Argument, para. 198.

<sup>56</sup> Exhibit B-3, BCUC IR1 22.1.

<sup>57</sup> Exhibit B-3, BCUC IR1 22.1.

<sup>58</sup> BCOAPO Final Argument, p. 7.

44. Further, despite BCOAPO's assertion that utilities must simply adapt,<sup>59</sup> FEI's evidence demonstrates that its meter reading accuracy results for 2020 and 2021 are not attributable to any of its own actions or inactions.<sup>60</sup> FEI has worked closely with Olameter to improve performance for meter reading accuracy to the extent possible, while supporting the safety protocols that remain in place. There is no basis to investigate seeking recourse against Olameter, as submitted by BCOAPO.<sup>61</sup>

45. Ultimately, as explained by Ms. Carman at the Workshop, "while the SQI has been below threshold, and customers have been impacted to some degree, the measures taken to mitigate the impacts have been successful."<sup>62</sup> Mindful of ongoing uncertainty, FEI agrees with CEC that its meter reading accuracy results are expected to continue to improve as the impacts of the COVID-19 pandemic wane. On this basis, and reflecting its successful mitigation efforts to date, FEI does not consider it necessary to report to the BCUC on a quarterly basis as proposed by the CEC.<sup>63</sup>

**(b) Decline of Telephone Service (Non-Emergency) Has Not Impacted Customer Experience**

46. The CEC recommends that "the Commission direct FEI to return its TSF (non-emergency) to Benchmark levels or above and provide quarterly reporting on the activities undertaken to do so until this is complete."<sup>64</sup> FEI submits that the CEC's recommended direction is not warranted.

47. First, this proceeding assesses FEI's 2020 service quality indicator results. In 2020, FEI met the Telephone Service Factor (Non-Emergency) (TSF Non-Emergency) benchmark of 70 percent.<sup>65</sup> The BCUC will evaluate FEI's 2021 service quality indicator performance in the Annual Review for 2023 Delivery Rates, at which point the utility's actual 2021 results will be known.<sup>66</sup>

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<sup>59</sup> BCOAPO Final Argument, p. 7.

<sup>60</sup> Exhibit B-3, BCUC IR1 22.1.

<sup>61</sup> BCOAPO Final Argument, p. 7.

<sup>62</sup> Workshop Transcript, p. 84, ll. 17-20.

<sup>63</sup> CEC Final Argument, para. 199.

<sup>64</sup> CEC Final Argument, para. 206.

<sup>65</sup> Exhibit B-2, Application, p. 158.

<sup>66</sup> Exhibit B-4, BCOAPO IR1 21.1.

48. Second, with respect to FEI's 2021 year-to-date results, FEI submits that service quality indicator performance cannot be assessed on a month-to-month basis. Fluctuations across the year are normal and, as demonstrated in the response to MoveUP IR1 3.3.1, each month's performance will depend on several variables that may affect call volumes, durations and types.<sup>67</sup> Generally, a particular month's performance will be offset by variations in other months, resulting in annual performance that meets or exceeds the benchmark and threshold. On this basis, without a full year of actual results, it is too early to assess FEI's performance or direct the utility to return this service quality indicator to above benchmark levels.<sup>68</sup>

49. Third, the decline in TSF Non-Emergency can be attributed to the months of January and February 2021, which were both below the benchmark of 70 percent.<sup>69</sup> As explained in the response to BCUC IR1 23.2, the lower performance in these months was largely affected by an increase in certain types of calls related to construction and new attachments, rebates and high bill inquiries.<sup>70</sup> Once these challenges were identified, and measures implemented in response, FEI's performance improved to above threshold levels and is now expected to meet the benchmark.<sup>71</sup>

50. Therefore, there is no basis or need for the BCUC to direct FEI to meet the TSF Non-Emergency benchmark. Despite challenges in early 2021, the utility's performance has recovered and feedback from customers during that period indicates that its First Contact Resolution performance remained high, and therefore, that impacts have been appropriately mitigated to ensure a positive customer experience.

**(c) FEI is Appropriately Managing Average Speed of Answer**

51. The CEC recommends that "the Commission direct FEI to continue with an average speed of answer under 40 seconds, which is in keeping with that from 2019—the year used as the base

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<sup>67</sup> Exhibit B-7, MoveUP IR1 3.3.1.

<sup>68</sup> Exhibit B-7, MoveUP IR1 3.3.1.

<sup>69</sup> Exhibit B-2, Application, pp. 158-159; Exhibit B-3, BCUC IR1 23.2.

<sup>70</sup> Exhibit B-3, BCUC IR1 23.2.

<sup>71</sup> Exhibit B-3, BCUC IR1 23.2; Exhibit B-9, slide 43.

year for the MRP Decision.”<sup>72</sup> FEI submits that such a direction would be outside the scope of this proceeding as the Average Speed of Answer (ASA) is an informational only service quality indicator. In particular, in both FEI’s 2014-2019 Performance Based Rate Plan and 2020-2024 Multi-Year Rate Plan, the BCUC did not establish a benchmark or threshold for ASA (or Telephone Abandonment Rate, which ASA replaced). The CEC’s recommendation would have the effect of imposing an ASA threshold without due consideration of the balancing exercise the BCUC recognized is inherent to selecting and setting the threshold and benchmark for service quality indicators.<sup>73</sup>

52. Moreover, and despite being outside of the scope of this proceeding, the CEC has not provided reasonable grounds for the BCUC to make the requested direction. As explained in the Application and in the response to BCUC IR1 23.2, FEI’s contact centre experienced difficulties in January and February of 2021 through a mix of high interaction volumes along with a mix of call types that typically take longer than average to respond to.<sup>74</sup> In response, FEI identified opportunities for learning and development, refocused on efficiencies, and assessed workforce scheduling and new hire training to address its increased ASA.<sup>75</sup> FEI was quickly able to reduce ASA back to historical norms. For example, between June and August 2021, FEI’s ASA was well-under 40 seconds (as compared to 250.03 seconds in January and 96.51 seconds in February) and FEI’s year-to-date performance as of August 31, 2021 is 69 seconds – affected in large-part by the January 2021 ASA.<sup>76</sup>

53. Put simply, FEI’s ASA results in early 2021 were anomalous, albeit not inconsistent with some Canadian utilities,<sup>77</sup> but provided FEI with an opportunity to identify and effectively respond to challenges affecting the ASA service quality indicator. The resulting “significant

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<sup>72</sup> CEC Final Argument, para. 214.

<sup>73</sup> MRP Decision, p. 96.

<sup>74</sup> Exhibit B-2, Application, pp. 160-161 (see also Table 13-13 of the Application and Exhibit B-6, CEC IR1 44.2 for FEI’s historical results); Exhibit B-3, BCUC IR1 23.2.

<sup>75</sup> Exhibit B-3, BCUC IR1 23.2.

<sup>76</sup> Exhibit B-3, BCUC IR1 23.2

<sup>77</sup> Exhibit B-3, BCUC IR1 23.2.

improvements”, as requested by MoveUP,<sup>78</sup> will be properly assessed in the next annual review proceeding.

**PART THREE: CONCLUSION**

54. The final submissions of interveners broadly support FEI’s Application, reflecting a constructive information-sharing process undertaken through IRs and the Workshop. FEI submits that its approvals sought are just and reasonable and should be approved as filed.

55. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:	November 9, 2021	<b><i>[original signed by Chris Bystrom]</i></b>
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		Chris Bystrom Counsel for FortisBC Energy Inc.

Dated:	November 9, 2021	<b><i>[original signed by Niall Rand]</i></b>
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		Niall Rand Counsel for FortisBC Energy Inc.

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<sup>78</sup> MoveUP Final Argument, p. 4.