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February 28, 2022

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Project No. 1599246

Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)

Response to the British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates

On August 12, 2021, FEI filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-20-22 for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 2 on Common Rates.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 1

	Page No.
1 Table of Contents	
2 A. GENERAL	1
3 B. DECLINES IN FEFN'S DEMAND	4
4 C. REVIEW OF COMMON RATE OPTIONS.....	6
5 D. CONSULTATION AND ENGAGEMENT	23
6 E. IMPLEMENTATION AND ACCOUNTING MATTERS	26

7

8 A. GENERAL

9 32.0 Reference: GENERAL

10 Transcript Volume 1 (Procedural Conference Transcript), p. 8
11 Requested Decision Target

12 On page 8 of the Procedural Conference Transcript, FortisBC Energy Inc. (FEI) stated:

13 ... it would be best if we could receive a decision [on] this proceeding before
14 September of this year if possible. This is because if common rates are approved,
15 FEI will need time to incorporate Fort Nelson service area's cost into the annual
16 review process. And if common rates are not approved, FEI will of course be
17 needing to prepare the next revenue requirement application for the Fort Nelson
18 service area. And in either case, a decision before September would be beneficial.

19 32.1 Please provide FEI's specific requested decision date for the common rates
20 component of this proceeding.

21 32.1.1 If common rates are approved, please provide an estimate of the
22 minimum required timeline to incorporate the Fort Nelson service area's
23 (FEFN's) cost into the annual review process.

24 32.1.2 If common rates are not approved, please provide an estimate of the
25 minimum required timeline to prepare the next revenue requirement
26 application for the Fort Nelson service area.

27

28 Response:

29 The optimal timing for receiving a decision on the common rates component of this proceeding is
30 before September 2022, as FEI stated at the procedural conference. Therefore, the optimal
31 specific requested decision date would be on or before August 31, 2022. However, FEI
32 recognizes that the timeline for receiving a BCUC decision is impacted by the remaining scope

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 2

and timing of the proceeding (for example, whether FEI files rebuttal evidence). Depending on when the actual decision is received, and the nature of the approvals received, FEI would assess how best to proceed.

FEI notes that based on the current regulatory timetable established by Order G-20-22, the argument phase of the proceeding will conclude either by mid-May or by mid-June, depending on whether or not FEI files rebuttal evidence. Based on this timetable, FEI would anticipate receiving a BCUC decision in either August or September. If common rates are approved as filed during this timeframe, FEI believes that it could implement common rates effective January 1, 2023, with the possible exception of the gas cost rates.

FEI provides the following further explanation of the actions and timing for implementing common rates:

- **Implementation of FEFN's Storage and Transport (midstream) rates at 5 percent of FEI's midstream rates and FEFN's Cost of Gas rate set at the same level as the FEI Cost of Gas rate.** Typically, FEI seeks approval for its January 1st Cost of Gas rates and its Storage and Transport (i.e., midstream) rates via its fourth quarter gas cost report, which FEI generally files with the BCUC in the third week of November. In order for FEI to properly configure, test, and implement the changes to the systems FEI uses in the gas cost forecasting and rate setting process, FEI would likely require a decision on common rates in September. In the event that FEI was not able to implement the gas cost rate changes in time for the fourth quarter gas cost report (effective January 1, 2023), FEI could still implement the changes to be effective April 1, 2023 via the 2023 first quarter gas cost report. This would result in the effective date of the common cost of gas rates being April 1, 2023 as opposed to January 1, 2023.
- **Incorporating FEFN's delivery revenue requirement into FEI's delivery revenue requirement.** This aspect of implementing common rates could be achieved in a relatively short time frame (within a month of receiving a decision). Depending on the timing of the common rates decision, FEI would have a couple of options for incorporating FEFN's revenue requirement as part of FEI's annual review for 2023 rates. If a decision on common rates were received by early September, FEI could likely file an evidentiary update in the annual review proceeding with the changes to FEI's financial schedules and the resulting (minor) change to the forecast 2023 delivery rates. If a decision on common rates were received later, FEI would likely propose to incorporate FEFN's revenue requirement into FEI's revenue requirement as part of the compliance filing to the BCUC's decision on FEI's 2023 annual review. This approach is similar to the approach that FortisBC Inc. (FBC) recently took with incorporating the Electric Vehicle Direct Current Fast Charging (EV DCFC) station-related revenues and expenses into FBC's 2022 rates.¹

¹ FBC Annual Review for 2022 Rates, Compliance Filing to BCUC Decision and Order G-374-21.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 3

- **Implementing the changes to FEI's billing system and tariff schedules, and completing and executing the customer communication plan.** (Refer to the response to BCUC IR1 16.1 for a description of the communication activities.) FEI typically requires a decision on 2023 delivery rates through the annual review process by the first week of December in order to perform the standard billing and customer communication activities. Likely an additional month at least would be required so that the billing team can execute all system changes, the customer communication materials could be developed, and the customer service team can be trained on the changes so that they are prepared to answer customer queries.

If FEI received a decision denying common rates within the anticipated timeframe of either August or September (i.e., based on the current regulatory timetable as previously discussed), FEI would likely be able to file a full RRA for FEFN with the BCUC by the beginning of December, in time to set interim 2023 delivery rates. Typically, the BCUC requires an application by the beginning of December to set interim delivery rates. If a decision was received later than September and common rates were denied, FEI would still be able to file for interim 2023 delivery rates with the BCUC by the beginning of December; however, FEI would likely need to file an updated RRA with additional details subsequent to interim 2023 rates being approved.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 4

B. DECLINES IN FEFN'S DEMAND

33.0 Reference: DECLINES IN FEFN'S DEMAND

Exhibit B-6, British Columbia Utilities Commission (BCUC) IR 3.3 10-year FEFN Demand Forecast

In response to BCUC IR 3.3, FEI stated:

The following table shows the FEFN forecast extended to 2030. As the table below shows, FEFN demand and number of customers are forecast to continue to decline annually over the 10-year period to 2030. This continued decline supports a move by FEFN customers to common rates.

As part of the response, FEI provided the following table:

Fort Nelson										
Customers	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
RS 1	1,866	1,853	1,841	1,829	1,819	1,809	1,799	1,790	1,781	1,773
RS 2	449	445	442	439	435	432	429	425	422	419
RS 3	15	13	12	11	9	8	7	5	4	3
Customer Total	2,329	2,311	2,295	2,279	2,263	2,249	2,235	2,221	2,207	2,194
Demand (TJ)										
RS 1	238	234	230	226	222	218	214	211	207	204
RS 2	157	150	143	136	129	122	115	108	101	95
RS 3	96	87	78	70	61	53	44	36	27	19
Demand Total	491	471	451	431	412	392	373	354	336	317

33.1 Please explain and provide the methodology used to develop the customer count forecast for each of Rate Schedule (RS) 1, 2 and 3 for the 2021 to 2030 timespan shown in the table above. In the response, please list any assumptions used and explain the rationale for this methodology.

33.1.1 If the methodology used is different from the one used to develop the load forecast for rate setting purposes, please explain why.

Response:

FEI confirms that the customer and demand forecasts developed for the timespan from 2021 through 2030 are based on the same forecasting methods used to develop the rate setting forecasts.

Please see Appendix A3 of the Application for detailed information on FEI's customer and demand forecasting methods, calculations and assumptions. The methods described in Appendix A3 apply to the timespan from 2021 to 2030.

As noted on page 1 of Appendix A3, FEI's demand forecast methods are consistent with the recommendations in the FEI Forecasting Method Study filed as Appendix B2 in FortisBC's 2020-2024 MRP Application.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 5

1
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- 33.2 Please explain and provide the methodology used to develop the demand forecast for each of RS 1, 2 and 3 for the 2021 to 2030 timespan shown in the table above. In the response, please list any assumptions used and explain the rationale for this methodology
- 33.2.1 If the methodology used is different from the one used to develop the load forecast for rate setting purposes, please explain why.

Response:

Please refer to the response to BCUC IR2 33.1.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 6

1 **C. REVIEW OF COMMON RATE OPTIONS**

2 **34.0 Reference: REVIEW OF COMMON RATE OPTIONS**

3 **Exhibit B-6, BCUC IR 11.3, Table 5-6, Table 5-9, Table 5-14., 12.7;**
 4 **Exhibit B-1 (Application), Section 5.3, Table 5-5, p. 48, Table 5.8, p.**
 5 **50, Table 5-13, p. 55; BCUC**

6 **Information Release – BCUC Approves FortisBC Energy Inc.’s**
 7 **Fourth Quarter Gas Commodity Rates dated December 3 2021**

8 **Assumptions Used to Evaluate the Common Rate Options**

9 In response to BCUC IR 12.7, FEI stated that the 2022 and 2023 cost of gas and
 10 midstream rates “were based on the 2021 Second Quarter Gas Cost Reports for each of
 11 FEI and FEFN.”

12 On December 2, 2021, the BCUC completed its review of FEI’s Fourth Quarter Gas Cost
 13 Reports and approved commodity rate changes in the Fort Nelson and Mainland and
 14 Vancouver Island service areas, effective January 1, 2022².

15 In Section 5.3 of the Fortis BC Energy Inc. Application for Common Rates and 2022
 16 Revenue Requirements for the Fort Nelson Service Area (Application), FEI provides tables
 17 (Tables 5-5, 5-8 and 5-13) comparing the estimated rates under each common rate option
 18 compared to status quo.

19 In response to BCUC IR 11.3, FEI provided revised Tables 5-6, 5-9 and 5-14 showing the
 20 estimated FEFN incremental bill impact in 2023 due to common rates for each common
 21 rate option compared to status quo, with the FEFN bill impacts in percentage terms added.

22 34.1 Please provide updated rate and bill impact analyses for each common rate option
 23 compared to status quo based on the 2021 Fourth Quarter Gas Cost Reports for
 24 each of FEI and FEFN. For additional clarity, please provide the rate and bill impact
 25 analyses in the same format as in the Application and revised in response to BCUC
 26 IR 11.3 (i.e. Table 5-8, Revised Table 5-9³, etc.)
 27

28 **Response:**

29 Please refer to Tables 1 to 6 below for the comparison of rates and bill impacts of each common
 30 rates option based on FEI’s and FEFN’s 2021 Fourth Quarter Gas Cost Reports (Q4 Reports).

² BCUC, Information Release dated December 3, 2021, BCUC Approves FortisBC Energy Inc.’s Fourth Quarter Gas Commodity Rates:
<https://docs.bcuc.com/documents/NewsRelease/2021/2021-12-03-InfoRelease-BCUC-Approves-FortisBCEnergy-Q4-CommodityRates.pdf>
³ Shown as Table 2 in the responses to BCUC IR 11.3.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 7

However, using the commodity rates from the 2021 Q4 Reports does not accurately reflect the impact of common rates to FEFN's customers, due to a material timing difference between FEI and FEFN in terms of when changes in the commodity rates were triggered. Pursuant to Order G-354-21, FEI's commodity rate was approved to increase from \$3.844 per GJ to \$4.503 per GJ on January 1, 2022; however, pursuant to Order G-355-21, FEFN's commodity rate was approved to be held at \$3.964 per GJ on January 1, 2022. This is because the underlying increase in gas costs for FEI was forecast to be more than the minimum rate change threshold of \$0.50 per GJ as set out in the BCUC's guidelines for gas cost rate setting,⁴ while FEFN's underlying increase in gas costs was forecast to be less than \$0.50 per GJ. As a result, the commodity rate between FEI and FEFN on January 1, 2022 differs by more than \$0.50 per GJ not because of different underlying commodity costs, but because of the short term timing difference created when applying the minimum rate change threshold as per the BCUC's guideline to the 12-month prospective cost and recovery period. This timing difference generally corrects itself over time as the commodity rates are reviewed quarterly.

The longer term forecast of costs for FEI and FEFN, beyond the 12-month prospective costs used in establishing the January 1, 2022 rates, and based on the forward market prices and gas cost forecasts used in the 2021 Q4 Reports, indicate that the FEI commodity rate could decrease around mid to late 2022 while the FEFN commodity rate could remain unchanged during 2022. For example, using the historical commodity rates from January 1, 2011 to January 1, 2022 as provided in the response to FNDCC-NRRM IR1 5.2, the average difference in the commodity rates between FEI and FEFN over the 10-year period is \$0.0039 per GJ.⁵

To illustrate the impact of common rates with more updated gas cost reports than the Application but without the short-term timing difference in the January 1, 2022 cost of gas rates between FEI and FEFN, FEI provides Tables 7 to 10 below for the same comparison of rates and bill impacts for common rate options 3 and 4 but using the cost of gas rates as approved for October 1, 2021 (i.e., based on the 2021 Q3 gas cost reports) when there was no material timing difference between FEI and FEFN. Option 2 does not include common commodity rates thus it is not affected by the timing difference in commodity rates between FEI and FEFN. It can be seen that the rates and bill impacts due to common rates only, without the impact caused by the short-term timing difference in the cost of gas rates, are similar to the analysis shown in the Application, which was based on the 2021 Q2 gas cost reports when there was no material timing difference in the then-existing approved cost of gas rates between FEI and FEFN.

⁴ L-5-01, dated February 5, 2001, and further modified in L-40-11, dated May 19, 2011.

⁵ Calculated based on the difference between columns 2 and 5 of the table in FNDCC-NRRM IR1 5.2.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 8

Table 1: Estimated 2023 Fort Nelson Rates under Option 2 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rates)

Rate Schedule		FEFN Option 1 - Status Quo (2023 Estimated)	FEFN Option 2 - Common Delivery Rate (2023 Estimated)
Residential			
Rate Schedule 1 Residential Service	Basic Charge (\$/Day)	0.3701	0.4216
	Delivery Charge (\$/GJ)	4.7980	6.0380
	Commodity Cost Recovery (\$/GJ)	3.9640	3.9640
	Midstream Charge (\$/GJ)	0.0850	0.0850
Commercial			
Rate Schedule 2 Small Commercial Service (Less than 2,000 GJ)	Basic Charge (\$/Day)	1.2151	0.9616
	Delivery Charge (\$/GJ)	5.2230	4.5880
	Commodity Cost Recovery (\$/GJ)	3.9640	3.9640
	Midstream Charge (\$/GJ)	0.087	0.087
Rate Schedule 3 Large Commercial Service (Over 2,000 GJ)	Basic Charge (\$/Day)	3.6845	4.8026
	Delivery Charge (\$/GJ)	4.3600	3.9100
	Commodity Cost Recovery (\$/GJ)	3.9640	3.9640
	Midstream Charge (\$/GJ)	0.0740	0.0740

Table 2: Estimated 2023 Average Bill Impact under Option 2 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rates)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 (\$)	FEFN Option 2 - Common Delivery Rate Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	237	174	14.8%
Small Commercial RS 2	335	191	(115)	(305)	-9.1%
Large Commercial RS 3	6,375	2,486	26	(2,460)	-4.7%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 9

Table 3: Estimated 2023 Fort Nelson Rates under Option 3 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rates)

Rate Schedule		FEFN Option 1 - Status Quo (2023 Estimated)	FEFN Option 3 - Full Common Rate (2023 Estimated)
Residential			
Rate Schedule 1 Residential Service	Basic Charge (\$/Day)	0.3701	0.4216
	Delivery Charge (\$/GJ)	4.798	6.038
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.085	1.472
Commerical			
Rate Schedule 2 Small Commercial Service (Less than 2,000 GJ)	Basic Charge (\$/Day)	1.215	0.962
	Delivery Charge (\$/GJ)	5.223	4.588
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.087	1.509
Rate Schedule 3 Large Commercial Service (Over 2,000 GJ)	Basic Charge (\$/Day)	3.6845	4.8026
	Delivery Charge (\$/GJ)	4.360	3.910
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.074	1.284

Table 4: Estimated 2023 Average Bill Impact under Option 3 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rates)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 (\$)	FEFN Option 3 - Full Common Rate Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	477	415	35.2%
Small Commerical RS 2	335	191	542	352	10.5%
Large Commerical RS 3	6,375	2,486	11,176	8,690	16.6%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 10

Table 5: Estimated 2023 Fort Nelson Rates under Option 4 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rates)

Rate Schedule		FEFN Option 1 - Status Quo (2023 Estimated)	FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI (2023 Estimated)
Residential			
Rate Schedule 1 Residential Service	Basic Charge (\$/Day)	0.3701	0.4216
	Delivery Charge (\$/GJ)	4.798	6.038
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.085	0.074
Commercial			
Rate Schedule 2 Small Commercial Service (Less than 2,000 GJ)	Basic Charge (\$/Day)	1.2151	0.9616
	Delivery Charge (\$/GJ)	5.223	4.588
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.087	0.076
Rate Schedule 3 Large Commercial Service (Over 2,000 GJ)	Basic Charge (\$/Day)	3.6845	4.8026
	Delivery Charge (\$/GJ)	4.360	3.910
	Commodity Cost Recovery (\$/GJ)	3.964	4.503
	Midstream Charge (\$/GJ)	0.074	0.065

Table 6: Estimated 2023 Average Bill Impact under Option 4 Compared to Status Quo (Based on 2021 Q4 Gas Cost Report for both commodity rates and midstream rate)

			FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 (\$)			
Residential RS 1	125	63	303	240	20.4%
Small Commercial RS 2	335	191	62	(128)	-3.8%
Large Commercial RS 3	6,375	2,486	3,405	918	1.8%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 11

Table 7: Estimated 2023 Fort Nelson Rates under Option 3 Compared to Status Quo (Based on October 1, 2021 commodity rates and 2021 Q4 Gas Cost Report for midstream rates)

Rate Schedule		FEFN Option 1 - Status Quo (2023 Estimated)	FEFN Option 3 - Full Common Rate (2023 Estimated)
Residential			
Rate Schedule 1 Residential Service	Basic Charge (\$/Day)	0.3701	0.4216
	Delivery Charge (\$/GJ)	4.798	6.038
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.085	1.472
Commerical			
Rate Schedule 2 Small Commercial Service (Less than 2,000 GJ)	Basic Charge (\$/Day)	1.215	0.962
	Delivery Charge (\$/GJ)	5.223	4.588
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.087	1.509
Rate Schedule 3 Large Commercial Service (Over 2,000 GJ)	Basic Charge (\$/Day)	3.6845	4.8026
	Delivery Charge (\$/GJ)	4.360	3.910
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.074	1.284

Table 8: Estimated 2023 Average Bill Impact under Option 3 Compared to Status Quo (Based on October 1, 2021 commodity rates and 2021 Q4 Gas Cost Report for midstream rates)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 (\$)	FEFN Option 3 - Full Common Rate Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	395	332	28.2%
Small Commerical RS 2	335	191	321	131	3.9%
Large Commerical RS 3	6,375	2,486	6,975	4,488	8.6%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 12

Table 9: Estimated 2023 Fort Nelson Rates under Option 4 Compared to Status Quo (Based on October 1, 2021 commodity rates and 2021 Q4 Gas Cost Report for midstream rates)

Rate Schedule		FEFN Option 1 - Status Quo (2023 Estimated)	FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI (2023 Estimated)
Residential			
Rate Schedule 1 Residential Service	Basic Charge (\$/Day)	0.3701	0.4216
	Delivery Charge (\$/GJ)	4.798	6.038
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.085	0.074
Commercial			
Rate Schedule 2 Small Commercial Service (Less than 2,000 GJ)	Basic Charge (\$/Day)	1.2151	0.9616
	Delivery Charge (\$/GJ)	5.223	4.588
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.087	0.076
Rate Schedule 3 Large Commercial Service (Over 2,000 GJ)	Basic Charge (\$/Day)	3.6845	4.8026
	Delivery Charge (\$/GJ)	4.360	3.910
	Commodity Cost Recovery (\$/GJ)	3.964	3.844
	Midstream Charge (\$/GJ)	0.074	0.065

Table 10: Estimated 2023 Average Bill Impact under Option 4 Compared to Status Quo (Based on October 1, 2021 commodity rates and 2021 Q4 Gas Cost Report for midstream rates)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 (\$)	FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	220	157	13.4%
Small Commercial RS 2	335	191	(159)	(349)	-10.4%
Large Commercial RS 3	6,375	2,486	(796)	(3,283)	-6.3%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 13

35.0 Reference: REVIEW OF COMMON RATE OPTIONS

Exhibit B-6, BCUC IR 13.2

Common Rate Options

In response to BCUC IR 13.2, FEI stated:

At this time, based on the current commodity contracts and agreements in place for FEFN, FEI would characterize its proposal to set FEFN's midstream rates at 5 percent of FEI's midstream rates to be "for the foreseeable future."

...

FEI intends to monitor the difference between FEFN's gas costs and FEI's midstream rates on an ongoing basis, and if the difference changes significantly from the 5 percent that FEI is proposing in this Application, FEI would consider applying to the BCUC to change the percentage allocation of FEI's midstream rates to FEFN customers. This is one of the advantages of the Proposed Common Rate Option, as the accounting of FEI and FEFN gas costs will be aligned, making further changes to the midstream rates for FEFN customers easy to implement.

35.1 Please clarify what percentage difference between FEFN's gas costs and FEI's midstream rate, above or below the 5 percent that FEI is proposing in this Application, would trigger an application to the BCUC for an adjustment of the FEFN midstream rate allocation.

35.1.1 Please discuss the conditions and factors, such as the length of time of the difference, that would trigger an application for a change in FEFN customers' midstream allocation.

Response:

FEI has not defined, nor is FEI proposing, a percentage difference value to the 5 percent that would trigger an application to the BCUC for an adjustment of the FEFN midstream rate allocation.

As described in the Application, the proposed 5 percent midstream rate setting amount has been determined based on recent as well as long-term historical rate data. The FEFN gas supply portfolio costs would need to experience a significant and protracted, multi-year change relative to the FEI gas supply costs in order to cause FEI to file an application to review and change (i.e., increase or decrease) the percentage from the proposed 5 percent midstream rate setting amount. For example, as demonstrated in Table 5-12 of the Application, if the proposed treatment had been implemented since 2011, the individual years could have larger variances but the total cumulative variances over the 10-year period can be considered immaterial (\$0.15 over a 10-year period, or equivalent to an average of one and a half cents per year over the 10-year period). Given the small impact FEI expects over the long-term, it would be more efficient to review the

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 14

proposed treatment only if there is a significant and protracted change from the proposed 5 percent over multiple years.

The proposed common gas cost recovery rates model for FEFN is based on capturing FEFN's natural gas supply portfolio costs in FEI's Midstream Cost Reconciliation Account (MCRA), while setting a common commodity rate based on FEI's existing baseload commodity supply portfolio costs in the Commodity Cost Reconciliation Account (CCRA), similar to the model used for Revelstoke. The FEFN physical natural gas supply portfolio is not being amalgamated into the FEI physical natural gas supply model. As discussed in the Application and in the response to BCUC IR1 14.1, FEI currently sources the natural gas supply for FEFN from a producer or a gas marketer at the outlet of the Fort Nelson gas processing plant. FEI is able to contract firm term supply to Fort Nelson on favourable and flexible terms for its daily requirements; more importantly, FEFN benefits from a unique supply arrangement that allows it to take only what it requires based on the next day's load forecast for Fort Nelson rather than taking 100 percent of the contracted quantity each day. FEI also contracts for third party transportation capacity on the Westcoast Energy Inc. (Westcoast) T-North system in order to facilitate the movement of commodity supply each day from the plant outlet for delivery to Fort Nelson.

Although the physical gas supply portfolios for FEFN and FEI comprise different resources, those resources are procured within the same general supply region. FEI believes there would need to be a major and prolonged shift in the market prices within the supply region, or a significant and non-temporary change to the FEFN or FEI physical gas supply portfolios to cause FEI to file an application to review and change the gas cost recovery rate mechanism. For example, and as discussed in the Application, if the supply from the Fort Nelson plant continues to decline and FEI is no longer able to negotiate firm term supply with flexible terms to meet its daily supply requirements to Fort Nelson, the resultant changes to the FEFN physical gas supply portfolio may require an application to review and change the gas cost recovery rate mechanism.

Under the proposal, the FEFN gas supply costs will continue to be tracked separately, monitored, and reported quarterly within the quarterly gas cost reports, as well as within the annual gas cost status report. As the FEFN midstream rates will continue to be reviewed as part of the existing quarterly and annual gas cost reporting processes, FEI is not proposing additional reporting processes.

35.2 Please provide the interval(s) at which FEFN customers' midstream rates would be reviewed and considered for adjustment.

Response:

Please refer to the response to BCUC IR2 35.1.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 15

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35.3 Other than an application to the BCUC, please describe the implementation process for any changes to FEFN customers' midstream rate allocation, given FEI's statement that further changes to the midstream rates for FEFN customers would be "easy to implement."

Response:

Should the proposed common gas cost recovery rates model for FEFN be approved, the implementation of the change is not overly complex but does require effort to configure, test, and implement the changes to the systems that FEI uses in the gas cost forecasting and rate setting process. However, once these initial changes are implemented, should an increase or decrease to the proposed 5 percent midstream rate setting amount be sought and approved, the effort involved in testing and implementing that percentage change would likely require only a few days.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 16

36.0 Reference: REVIEW OF COMMON RATE OPTIONS

**Exhibit B-6, BCUC IR 15.3, 15.5, 30.1; Exhibit B-1, Section 7.1.4.4, p.
81 Evaluation of Common Rate Options**

In response to BCUC IR 15.3, FEI stated:

FEI explored a phase-in approach for FEFN's residential customers because they are the only customers that will experience an increase to the annual bill due to the transition to common rates, as shown in Table 5-14 of the Application and also in response to

BCUC IR1 11.3. FEI does not believe there is any benefit to FEFN's commercial customers from phasing in the savings. However, FEI is not opposed to implementing a phase-in of the savings to FEFN's commercial customers as part of the move to common rates if such an approach is directed by the BCUC.

And on page 81 of the Application, FEI writes:

In order to implement the rate rider, FEI also requires establishment of a deferral account; however, instead of creating a new deferral account, FEI proposes to add the revenue deficiency created by phasing in residential delivery rates over 10 years to the existing FEFN 2021 Revenue Surplus deferral account...

36.1 Please discuss the pros and cons of phasing in the savings for commercial customers if common rates are approved.

Response:

As stated in the response to BCUC IR1 15.3, FEI does not believe there are any benefits or advantages to phasing in the savings available to FEFN's commercial customers if common rates are approved. The disadvantage to phasing in the savings for commercial customers is that it will take longer for these customers to realize the full benefit/savings from moving to common rates.

Please refer to the response BCUC IR2 36.2 which demonstrates that phasing in the savings for FEFN's commercial customers will have no impact to the phase-in or the overall bill impact of FEFN's residential customers. Since there is no change to FEFN's residential customers and there is virtually no impact to FEI's customers whether the FEFN commercial customers are phased in or not, FEI believes phasing in FEFN's commercial customers will only disadvantage FEFN's commercial customers by taking away the immediate savings available to them without any meaningful benefits to any customers (including FEI's customers and FEFN's residential customers). However, as stated in the response to BCUC IR1 15.3, FEI is not opposed to implementing a phase-in of the savings to FEFN's commercial customers as part of the move to common rates.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 17

36.2 Please clarify whether phasing in the savings for FEFN's commercial customers as part of a move to common rates would alter the bill impact during the same phase in period for residential customers and discuss any issues associated with this.

Response:

The phase-in of FEFN's commercial customers will have no impact on the bills or phase-in of FEFN's residential customers. The proposed treatment of FEFN's residential phase-in is to capture the deficiency resulting from the phase-in in the proposed FEFN Residential Common Rate Phase-in deferral account as demonstrated in Table 5-17 of the Application.⁶ This deficiency is then recovered through FEI's delivery rates from all customers through amortization of the deferral account. As such, if the savings to FEFN's commercial customers are phased-in, then the only effect of such an approach will be further reducing the already minimal impact to FEI's customers, as the total deficiency from FEFN's residential customers due to the phase-in would be offset by the additional surplus from FEFN's commercial customers. Overall, by phasing-in the savings to FEFN's commercial customers, the cumulative delivery rate impact to FEI's customers would reduce from 0.12 percent⁷ to 0.06 percent over a 10-year period (or reduce from a cumulative \$0.50 over a 10-year period for the average FEI residential customer to a cumulative \$0.24 over a 10-year period, which is equivalent to a reduction of approximately 5 cents per year to 2.4 cents per year). Please refer to the table below for the 10-year bill impact to FEFN's customers under Option 4 but with phase-in for both residential and commercial customers.

FEI also clarifies that the amount of the phase-in each year is determined by the total incremental bill impact to FEFN's residential customers due to common rates. As shown in Table 5-14 of the Application, the total incremental bill impact due to common rates for the average FEFN residential customer is estimated to be \$157. Therefore, the goal of the phase-in is to gradually increase the annual bills of FEFN's residential customers until they reach \$157 within a 10-year period (i.e., the sum of Line 5 in the table below is \$157 over 10 years, or as shown in Line 6 of the table below). This has no relation to whether the FEFN commercial customers are phased-in or not.

⁶ In FEI's response to FNDCC-NRRM IR1 16.2, Table 5-17 of the Application was corrected as the \$94 thousand revenue surplus was inadvertently shown as a debit instead of a credit. This has no impact on the calculation of the FEFN residential phase-in rider.

⁷ In FEI's response to FNDCC-NRRM IR1 16.2, Table 5-17 of the Application was corrected as the \$94 thousand revenue surplus was inadvertently shown as a debit instead of a credit, which resulted in the cumulative delivery rate impact to FEI being reduced from 0.15 percent (as shown in Table 5-17 of the Application and also in Table 1 of BCUC IR1 15.5) to 0.12 percent. This has no impact on the calculation of the FEFN residential phase-in rider.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 18

Line	Particular	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1	Option 4 - With Phase-in to Residential and Commercial Customers										
2											
3	<u>FEFN Residential - RS 1</u>										
4	Average UPC (GJ)	125	125	125	125	125	125	125	125	125	125
5	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(5)	17	17	17	17	17	17	17	17	23
6	Cumulative Bill Impact due to Common Rates (\$)	157									
7											
8	<u>FEFN Small Commercial - RS 2</u>										
9	Average UPC (GJ)	335	335	335	335	335	335	335	335	335	335
10	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(72)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)
11	Cumulative Bill Impact due to Common Rates (\$)	(350)									
12											
13	<u>FEFN Large Commercial - RS 3</u>										
14	Average UPC (GJ)	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375
15	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(1,104)	(247)	(247)	(247)	(247)	(247)	(247)	(247)	(247)	(247)
16	Cumulative Bill Impact due to Common Rates (\$)	(3,327)									
17											
18	Cumulative Rate Impact to FEI - Compared to 2021 Approved (%)	0.06%									
19	Equivalent Cumulative Impact to FEI Residential (\$)	0.24									

36.3 Please provide a billing impact analysis for each FEFN customer class and all FEI customers, in the format given in Table 3 of FEI's response to BCUC IR 15.5, under the scenario where the savings to FEFN's commercial customers are phased in over a 10 year period and the deferred savings are allocated to the phase in of residential customer rates as part of the transition to common rates.

Response:

As explained in the response to BCUC IR2 36.2, FEI's proposed treatment is to capture all deficiencies related to the phase-in of FEFN's residential customers to common rates in the FEFN Residential Common Rate Phase-in deferral account for recovery from all FEI's customers in delivery rates through amortization. This proposed approach, as discussed in Section 5.5 of the Application, would have virtually no impact on FEI's customers. If FEI were to phase-in the savings to FEFN's commercial customers, as shown in the response to BCUC IR2 36.2, FEI's customers would see a reduced delivery rate impact; however, since the starting impact is so small, the decreased impact becomes negligible, as it is reduced from a 10-year cumulative increase of 0.12 percent to 0.06 percent.

FEI does not consider the approach suggested in this information request to be appropriate. As shown in the table below, the approach suggested in this information request would reduce the initial impact to FEFN's residential customers (i.e., FEFN residential customers will see an estimated savings of \$84 in year 1 of the phase-in); however, it would not change the overall impact of \$157 for the average FEFN residential customer over the 10-year period. As explained in the response to BCUC IR2 36.2, the purpose of the phase-in is to gradually reduce the gap between FEI and FEFN's residential rates over a 10-year period, and the approach proposed in this information request does not reduce the overall gap. This approach will also slightly increase

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 19

the annual increments experienced by FEFN's residential customers during the 10-year phase-in, from an average of \$17 per year to \$26 per year. Finally, this approach will have no material benefit to FEI's customers (the cumulative impact to FEI's customers remains at 0.12 percent over 10 years, unlike the scenario shown in BCUC IR2 36.2) as the surplus resulting from the phase-in of FEFN's commercial customers will not be captured by the deferral account, but will be used to further reduce the initial impact of FEFN's residential customers.

In summary, this approach will:

- Only reduce the initial impact to FEFN's residential customers, as it will not change the overall impact due to common rates over the 10-year phase-in period;
- Increase the incremental bill increase per year for FEFN's residential customers from an average \$17 per year to \$26 per year;
- Have no added benefit to FEI's customers; and
- Disadvantage FEFN's commercial customers by taking away the savings that would be immediately available.

FEI reiterates that it considers that this approach is not appropriate as it will negatively impact FEFN's commercial customers without any meaningful benefit to any other group of customers.

Line	Particular	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
1	Option 4 - With Phase-in to Residential and Commercial Customers (Surplus from commercial customers applied to the phase-in of FEFN's residential customers)										
2											
3	<u>FEFN Residential - RS 1</u>										
4	Average UPC (GJ)	125	125	125	125	125	125	125	125	125	125
5	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(84)	26	26	26	26	26	26	26	26	32
6	Cumulative Bill Impact due to Common Rates (\$)	157									
7											
8	<u>FEFN Small Commercial - RS 2</u>										
9	Average UPC (GJ)	335	335	335	335	335	335	335	335	335	335
10	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(72)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)	(31)
11	Cumulative Bill Impact due to Common Rates (\$)	(350)									
12											
13	<u>FEFN Large Commercial - RS 3</u>										
14	Average UPC (GJ)	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375
15	Average Bill Impact due to Common Rate - Year-to-Year (\$)	(1,104)	(247)	(247)	(247)	(247)	(247)	(247)	(247)	(247)	(247)
16	Cumulative Bill Impact due to Common Rates (\$)	(3,327)									
17											
18	Cumulative Rate Impact to FEI - Compared to 2021 Approved (%)	0.12%									
19	Equivalent Cumulative Impact to FEI Residential (\$)	0.50									

36.3.1 Please provide a sensitivity analysis of the billing impact for each FEFN customer class and all FEI customers, in the format given in the table provided in FEI's response to BCUC IR 30.1, from the phase-in of the savings to commercial class customers over 1, 3, 5, 7 and 10-year periods.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 20

Response:

Please refer to the table below for the incremental bill impact for FEFN's customers due to common rates under different phase-in periods, based on the suggested treatment in BCUC IR2 36.3 (i.e., the surplus from FEFN's commercial customers resulting from common rates are phased-in and applied to the phase-in of FEFN's residential customers). As shown in the table below, this suggested approach will reduce the incremental savings that would be otherwise immediately available to the commercial customers (i.e., an average of \$350 or 11.6 percent for the small commercial customers and an average of \$3,327 or 7.2 percent for the large commercial customers) depending on the length of the phase-in period (e.g., the longer the phase-in period, the less savings would be applied to the commercial customers each year).

With Phase-in to Residential and Commercial Customers (Surplus from commercial customers applied to the phase-in of FEFN's residential customers)	No Phase-in	3-year	5-year	7-year	10-year
<u>Option 4 - Common Delivery & COG w/ Midstream @ 5% of FEI</u>					
FEFN's Residential Customers					
2023 Bill Impact - Average Residential Customer (\$)	220	20	(2)	(13)	(22)
Incremental 2023 Bill Impact due to Common Rates Only (\$)	157	(43)	(65)	(76)	(84)
Incremental 2023 Bill Impact due to Common Rates Only (%)	14.9%	-4.1%	-6.2%	-7.2%	-8.0%
FEFN's Small Commercial Customers					
2023 Bill Impact - Average Small Commercial Customer (\$)	(159)	47	88	105	119
Incremental 2023 Bill Impact due to Common Rates Only (\$)	(350)	(144)	(103)	(85)	(72)
Incremental 2023 Bill Impact due to Common Rates Only (%)	-11.6%	-4.8%	-3.4%	-2.8%	-2.4%
FEFN's Large Commercial Customers					
2023 Bill Impact - Average Large Commercial Customer (\$)	(841)	806	1,135	1,276	1,382
Incremental 2023 Bill Impact due to Common Rates Only (\$)	(3,327)	(1,681)	(1,351)	(1,210)	(1,104)
Incremental 2023 Bill Impact due to Common Rates Only (%)	-7.2%	-3.6%	-2.9%	-2.6%	-2.4%

36.4 Please identify any sources of cross subsidization between residential and commercial customers that will exist under FEI's proposal to mitigate the negative billing impacts to FEFN's residential customers during the transition to common rates, through the phase-in rate rider or otherwise, and the impact of each.

Response:

There are two potential sources of cross subsidization between residential and commercial customers that may exist under FEI's proposal to mitigate the negative impacts to FEFN's residential customers. The first source results from FEI's proposal to use the 2021 revenue surplus of \$94 thousand (forecast to December 31, 2022) to mitigate the bill impacts for FEFN residential customers only from the move to common rates. The second source results from the residential phase-in rider itself, as the deficiency created by this rider is proposed to be recovered from all FEI's customers, including FEFN's customers. However, and as explained below, these

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 21

sources of cross subsidization are related to the proposed phase-in of common rates, not the move to common rates itself. As highlighted in the response to BCUC IR1 2.1, moving FEFN to common rates would reduce cross-subsidization rather than increase it, since there is very little difference in the cost to deliver energy between FEI and FEFN, due in large part because the majority of FEFN's costs are currently determined based on FEI's costs and rates (please also refer to the response to BCUC IR1 10.1).

With regard to the 2021 revenue surplus, if it is returned to all FEFN customers instead of applying the surplus to the phase-in for FEFN's residential customers, then RS 2 and RS 3 commercial customers will see bill savings of approximately \$72 and \$943, respectively⁸. FEI notes that these savings will be in addition to the savings for FEFN's commercial customers due to common rates, which are estimated to be \$350 and \$3,327 for RS 2 and RS 3, respectively, as shown in Table 5-14 of the Application. Under FEI's proposed treatment of phasing-in FEFN's residential customers to common rates, the 2021 revenue surplus forecast balance of \$94 thousand will be used to provide additional mitigation to FEFN's residential customers thereby allocating the savings available to FEFN's commercial customers to FEFN's residential customers. FEI believes this is appropriate and reasonable. Given the fact that FEFN's commercial customers will already see a savings in their bill due to common rates, as discussed in the response to BCUC IR1 30.4, it is important to prioritize minimizing the negative bill impact which will only be experienced by FEFN's residential customers.

With regard to the deficiency created by the proposed phase-in deferral account being recovered from all FEI's customers, as explained in the response to BCUC IR2 36.2, FEI's proposed treatment is to capture the deficiency related to the phase-in of FEFN's residential common rates in the FEFN Residential Common Rate Phase-in deferral account for recovery from all FEI customers in delivery rates through amortization. Based on this proposed treatment, the negative impact to FEFN's residential customers (i.e., the deficiency) will be recovered from all of FEI's non-bypass customers. This creates a minor re-allocation between FEFN residential customers and all other FEI non-bypass customers during the transition period. As shown in the revised Table 5-17 of the Application in the response to FNDCC-NRRM IR1 16.2, the cumulative amortization recovered from FEI's non-bypass customers over the 10-year period will be approximately \$1.078 million, of which \$414 thousand is allocated to non-residential customer classes. Based on FEI's 2022 delivery margin approved through Order G-366-21, please refer to the table below which breaks down the impact to each of FEI's non-bypass rate classes as well as the equivalent bill impact to the average customer in each rate class. FEI notes the impacts are negligible to all classes, ranging from 0.1 cents for residential to approximately one dollar for larger customers over a 10-year period (i.e., 0.5 cents per year to 10 cents per year).

⁸ Calculated based on the average bill impact with and without returning the 2021 revenue surplus in 2022 as shown in the response to BCUC IR1 30.6. E.g., for RS 2, bill savings due to returning the 2021 surplus would be \$65 – (-\$7) = \$72; and for RS 3, bill savings due to returning the 2021 surplus would be \$835 – (-\$108) = \$943.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 22

Line	Particular	2022 Approved Delivery Margin (\$000s)	Cumulative Amortization (over 10 years) to FEI due to FEFN's Residential Phase-in (\$000s)	% of 2022 Approved Delivery Margin	Terajoules	Average Number of Customers	Effective Rates (\$/GJ)	Equivalent Cumulative Average Customers Bill Impact (\$) - Over 10 years
1	Residential							
2	Rate Schedule 1	589,064	664	0.12%	81,494	969,238	7.228	0.001
3	Commercial							
4	Rate Schedule 2	152,071	171	0.12%	29,000	90,390	5.244	0.002
5	Rate Schedule 3	101,387	114	0.12%	24,886	6,988	4.074	0.018
6	Rate Schedule 23	16,382	18	0.12%	4,125	768	3.971	0.026
7	Industrial							
8	Rate Schedule 4	399	0	0.12%	159	20	2.502	0.024
9	Rate Schedule 5	26,894	30	0.12%	9,420	591	2.855	0.056
10	Rate Schedule 6	72	0	0.12%	21	12	3.462	0.007
11	Rate Schedule 7	11,122	13	0.12%	6,601	45	1.685	0.303
12	Rate Schedule 22 - Firm Service	7,639	9	0.12%	10,379	9	0.736	1.041
13	Rate Schedule 22 - Interruptible Service	19,911	22	0.12%	16,533	28	1.204	0.872
14	Rate Schedule 25	24,066	27	0.12%	9,164	298	2.626	0.099
15	Rate Schedule 27	8,011	9	0.12%	4,511	71	1.776	0.138
16	TOTAL Non-bypass	957,018	1,078	0.12%	196,294	1,068,458	4.875	0.001

FEI submits that this level of cross-subsidization is immaterial and, given the benefits of phasing in the impacts of common rates for FEFN residential customers, is not “unjust, unreasonable, unduly discriminatory or unduly preferential”. Cross-subsidization to some degree occurs within a rate class as well as across different rate classes in virtually all forms of ratemaking. While a portion of costs resulting from FEFN’s residential customers will be spread over various non-bypass rate classes during the phase-in period if common rates are approved, there is virtually no impact to FEI’s non-bypass customers in any rate class due to the phase-in for FEFN’s residential customers. Given the benefits achieved by being able to phase-in the impacts of common rates for FEFN residential customers, FEI considers that the immaterial level of cross-subsidization is just and reasonable.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 23

D. CONSULTATION AND ENGAGEMENT

37.0 Reference: CONSULTATION AND ENGAGEMENT

**Exhibit B-6, BCUC IR 17.1; Exhibit B-1, Section 3.3.2.3, pp. 12–13
Consultation/Engagement Activities with FEI Customers**

In response to BCUC IR 17.1, FEI stated:

... FEI considered the cost of consultation and engagement (which would be borne by FEI customers) against the impact of the Application proposals to FEI customers, and

determined that, given there is no impact to FEI customers beyond a very small bill increase, it was reasonable not to incur the costs to perform specific consultation/engagement activities with FEI customers.

On pages 12 to 13 of the Application, FEI describes its (and its affiliates) prior application with the BCUC to amalgamate FortisBC Energy (Vancouver Island) Inc. (FEVI), FortisBC Energy (Whistler) Inc. (FEW) and FEI into a single entity and to implement postage stamp rates across the amalgamated entity (including Fort Nelson).

37.1 Please provide the estimated cost (and timeline) to perform specific consultation/engagement activities with FEI customers had these activities been undertaken.

Response:

FEI estimates it would cost \$250 to \$300 thousand in external costs to perform the specific pre-decision consultation/engagement activities with FEI customers and stakeholders that were conducted for the FortisBC Energy Utilities (FEU) Application for Common Rates, Amalgamation and Rate Design⁹ (FEU Common Rates). A summary of the pre-decision consultation/engagement activities is provided in the response to BCUC IR2 37.2. FEI has based this estimate on the actual costs incurred for the FEU Common Rates consultation/engagement activities which were approximately \$200 thousand, adding in a factor for inflation and general cost increases that have occurred for these activities over the years. The estimated timeline to conduct these consultation/engagement activities would be six months to one year depending on availability of internal and external resources that would be required to complete the activities. In addition to the FEU Common Rates external costs incurred for the consultation/engagement activities, there were also significant internal costs for FEI staff who planned, coordinated, prepared, presented, and participated in all of the activities. FEI expects that a similar level of internal cost and staff resources would be required if similar consultation/engagement activities were undertaken for the current Application.

⁹ Approved by Decision and Order G-21-14.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 24

Given the negligible bill impact of the FEFN move to common rates for FEI customers, FEI continues to believe that conducting these extensive consultation/engagement activities is not warranted in the circumstances of this Application as the internal and external costs and resources that would be expended outweigh any potential benefits.

37.2 Please describe the consultation/engagement activities with FEI customers for FEI's prior application to amalgamate FEVI, FEW and FEI (including Fort Nelson), if any.

37.2.1 If applicable, please provide reasons for the difference in FEI's approach to consultation/engagement activities with FEI customers between FEI's prior application to amalgamate FEVI, FEW and FEI (including Fort Nelson) and this Application.

Response:

The pre-decision consultation/engagement activities for the FEU Common Rates application included extensive communications and media outreach to communicate and inform FEI customers and the broader stakeholder community about the application. These consultation and engagement activities were discussed in the FEU Common Rates application, Section 10 – Stakeholder Engagement, an excerpt of which is provided in Attachment 37.2. The communication activities included:

- Direct and indirect engagement with customers and various stakeholders, large commercial and industrial customers, provincial, regional and municipal government staff;
- Communications to promote awareness and the public information sessions through the FortisBC website, letters to commercial and industrial customers, letters to municipalities, local government staff, and elected officials;
- Paid advertisements in provincial and local newspapers, media outreach through news releases, interviews and social media, and customer surveys and focus groups; and
- Public information sessions.

Subsequent to the BCUC's Decision and Order G-21-14 approving amalgamation of the FEU and a move to common rates for all service areas with the exception of Fort Nelson, FEI communicated the cumulative impacts of amalgamation and common rates in conjunction with

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 25

1 the other rate changes effective January 1, 2015 through various tailored bill messages and bill
2 inserts.¹⁰

3 FEI performed extensive consultation activities during the FEU Common Rates application
4 because the changes being proposed and the bill impacts (positive or negative) to all FEU
5 customers were substantial. In particular, in addition to seeking approval of common rates, FEI
6 was requesting approval pursuant to section 53 of the *Utilities Commission Act* to amalgamate
7 various entities, which required the BCUC to find that the application was in the public interest
8 and required the consent of the Lieutenant Governor in Council. Further, the impact to FEI
9 customers as a result of the amalgamation and common rates (without mitigation measures) was
10 an increase in rates of over 5 percent. Despite these substantial bill impacts, and the fact that
11 FEI conducted nine separate public information sessions throughout the province, a total of only
12 62 people attended the sessions (on average seven people per session). Based on this, FEI
13 would expect very few, if any, attendees at a session where there is virtually no bill impacts to
14 customers.

15 With regard to the current Application, from the perspective of FEI customers, there will be no
16 discernible impact from moving FEFN customers to common rates with FEI. FEI has
17 demonstrated in its response to BCUC IR1 11.1 that the bill impact to FEI customers from FEFN
18 moving to common rates is negligible (\$0.20 for a residential customer in 2023) and there will be
19 no changes to the service provided to FEI's customers nor to their rate structures and rate design.
20 Accordingly, FEI continues to believe that the costs associated with consultation/engagement
21 activities outweigh the benefit of conducting these activities and is not warranted in the
22 circumstances of this Application.

23

¹⁰ The cumulative impact of the amalgamation and the phase-in rate riders (Order G-21-14), the delivery rate increase (Order G-86-15), and the fourth quarter 2014 gas cost report changes to the Commodity Cost Recovery Charge, Storage and Transport Charges and Midstream Cost Reconciliation Account Rate Rider 6 (Order G-175-14).

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 26

1 **E. IMPLEMENTATION AND ACCOUNTING MATTERS**

2 **38.1 Reference: IMPLEMENTATION AND ACCOUNTING MATTERS**

3 **Exhibit B-1, Section 2, p. 5; Exhibit B-6, BCUC IR 23.1, 24.1, Table 1**

4 **FEI's Formula Operations and Maintenance**

5 On page 5 of the Application, FEI seeks the following:

- 6 • Approval to include FEFN's operations and maintenance (O&M) expenses in FEI's
7 formula O&M effective January 1, 2023 by adding FEFN's forecast 2023 customer
8 count to FEI's forecast 2023 customer count, with these changes to be forecast in
9 FEI's Annual Review for 2023 Delivery Rates; [Emphasis added]

10 In response to BCUC IR 23.1, FEI provided a table showing the calculation of the total
11 incremental impact to its delivery rates and deficiency of adopting common rates. FEI
12 explained, "The net O&M expenses shown on Line 9 are FEI's incremental O&M had
13 FEFN's customer count been included in FEI's inflation indexed O&M since 2020 (with
14 FEI's [Unit Cost O&M (UCOM)]adjusted to account for FEFN) as shown in the response
15 to BCUC IR1 24.1." [Emphasis added]

16 In response to BCUC IR 24.1, FEI stated:

17 ... a one-time adjustment to the Base UCOM in 2020 is required (i.e., the first year
18 of common rates; Lines 1 to 6 in Table 1 below) ... FEI's Base UCOM is required
19 to be adjusted to include FEFN since it was developed in accordance with the MRP
20 Decision and Order G-165-20 which did not include FEFN O&M costs and
21 customer counts.

22 In response to BCUC IR 24.1, Line 4 of Table 1, showed that the one-time adjustment
23 (assuming common rates were implemented in 2020) uses the "2019 FEFN Gross O&M
24 (Actual)."

25 38.1 Given FEI's submission that its Base UCOM must be adjusted to account for FEFN
26 if common rates are approved, please clarify and explain whether FEI proposes
27 for that adjustment to be reviewed and approved in this proceeding, or if it will be
28 filed separately for review and approval in FEI's Annual Review for 2023 Delivery
29 Rates.

30 38.1.1 If it is the former, please explain and provide the proposed one-time
31 adjustment to FEI's Base UCOM in 2023, including a discussion of any
32 adjustments to FEFN's Gross O&M (Actual) if that is used. If no
33 adjustments are required, please explain why not.
34

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 27

1 **Response:**

2 FEI is seeking approval of the implementation of common delivery rates (which includes adding
3 FEFN's forecast 2023 customer count to FEI's forecast 2023 customer count in order to account
4 for the inclusion of FEFN's O&M in FEI's O&M) as part of this Application and proceeding. If
5 approved, and depending on the timing of the decision on common rates, FEI will provide an
6 evidentiary update to the Annual Review for 2023 Delivery Rates proceeding with updated
7 financial schedules or FEI will include the updated financial schedules (and the minimal change
8 to FEI's delivery rates) in the compliance filing to the decision on the 2023 annual review. Please
9 also refer to the response to BCUC IR2 32.1. This approach is consistent with how FEW's and
10 FEVI's O&M and capital expenditures were incorporated into FEI's Base O&M and capital under
11 the 2014-2019 PBR Plan.¹¹

12 FEI is not able to provide the exact one-time adjustment to FEI's Base UCOM in 2023, as FEI has
13 not yet developed the 2023 Annual Review forecasts for FEI, including FEI's forecast demand
14 and customer count for 2023 and the net inflation factor which will be used to escalate FEI's
15 formula O&M. However, the approach to the calculation will be consistent with what FEI provided
16 in the response to BCUC IR1 24.1 and the BCUC will be able to verify the inputs to that calculation
17 at the time FEI provides its evidentiary update or compliance filing.

18 FEI provides a further example of the calculation in the table below using FEI's approved 2022
19 forecasts and the forecast customer count for FEFN provided in this Application (i.e., the forecast
20 2022 FEFN customer count used to forecast 2022 delivery rates for FEFN). As shown in the table
21 below, if common delivery rates were implemented in 2022, it would have resulted in an increase
22 of \$846 thousand or approximately 0.30 percent (i.e., Lines 39 and 40) to FEI's 2022 inflation
23 indexed O&M of \$285.219 million (i.e., Line 38). FEI notes the proposed treatment for 2023 would
24 be calculated using the same method and FEI expects the increase to FEI's inflation indexed
25 O&M would be at a similar level as shown in the table.

26 In response to the reference to Actual Gross O&M in the above question, FEI clarifies that FEFN's
27 Actual Gross O&M amount would not be relevant to the implementation of common delivery rates.
28 As explained in Section 7.1.3.1 of the Application, to account for FEFN's O&M as part of FEI's
29 formula O&M, FEI will add FEFN's forecast 2023 customer count to FEI's forecast 2023 customer
30 count, thus incorporating FEFN into the 2023 formula O&M calculation.

¹¹ The inclusion of FEVI's and FEW's O&M and capital expenditures was approved by Decision and Order G-106-15. These O&M and capital amounts were then incorporated into FEI's financial schedules as part of its compliance filing to the BCUC's Decision and Order G-86-15 regarding FEI's Annual Review for 2015 Delivery Rates.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 28

Line	Particular	Reference	2022 Forecast
1	2021 Inflation Indexed O&M (\$000s)	G-319-20, Schedule 20, Line 8	272,463
2	2021 Average Customer Forecast - Rate Setting Purpose	G-319-20, Schedule 20, Line 6	1,047,935
3	2021 Base Unit Cost O&M (\$/Customer)	Line 1 / Line 2 x 1000 (Also see G-366-21, Sch. 20, Ln 2)	260.00
4			
5	Base Unit O&M adjustment with FEFN		
6	2021 Approved FEI Base O&M (\$000s)	Line 1	272,463
7	2021 Approved FEI Average Customer Forecast - Rate Setting Purpose	Line 2	1,047,935
8	2021 Approved FEFN Gross O&M (\$000s)	G-78-21, Schedule 16, Line 16, Col 5	935
9	2021 Approved FEFN Average Customer Count	G-78-21, Schedule 15, Line 17, Col 9	2,331
10	2021 Base O&M per Customer (Adjusted with FEFN)	(Line 6 + Line 8) / (Line 7 + Line 9) x 1000	260.31
11			
12	Inflation Indexed O&M		
13	2021 Base Unit Cost O&M (incl. FEFN)	Line 10	\$ 260.31
14	2022 Net Inflation Factor	G-366-21, Schedule 20, Line 3	3.420%
15	2022 Base Unit Cost O&M (incl. FEFN)	Line 13 x (1 + Line 14)	\$ 269.21
16			
17	FEFN Growth in Average Customer Calculation		
18	FEFN Average Customer Forecast - 2021	Line 9	2,331
19	FEFN Average Customer Forecast - 2022	FEFN 2022 RRA, Schedule 15, Line 13, Col 9	2,314
20	FEFN Average Customer Change	Line 19 - Line 18	(17)
21	Customer Growth Factor Multiplier	G-165-20	75%
22	FEFN Change in Customer - Rate Setting Purpose	Line 20 x Line 21	(13)
23			
24	FEFN Average Customer Continuity for Rate Setting Purpose		
25	FEFN Average Customer Forecast - 2021	Line 18	2,331
26	FEFN Change in Customers - Rate Setting Purpose	Line 22	(13)
27	2022 FEFN Average Customer Forecast - Rate Setting Purposes	Line 25 + Line 26	2,318
28			
29	FEI & FEFN Combined Average Customer Forecast - Rate Setting Purpose		
30	FEFN Average Customer Forecast - Rate Setting Purpose	Line 27	2,318
31	FEI Average Customer Forecast - Rate Setting Purpose	G-366-21, Schedule 20, Line 6	1,059,333
32	Total FEI & FEFN Average Customer Forecast	Line 30 + Line 31	1,061,651
33			
34	2022 Inflation Indexed O&M (incl. FEFN) before prior year True-up	Line 15 x Line 32 / 1000	285,807
35	2020 FEI Average Customer True-up	G-366-21, Schedule 20, Line 10	258
36	2022 Inflation Indexed O&M (incl. FEFN)	Line 34 + Line 35	286,065
37			
38	2022 Approved Inflation Indexed O&M (excl. FEFN)	G-366-21, Schedule 20, Line 12	285,219
39	Difference	Line 36 - Line 38	846
40	% Difference	Line 39 / Line 38	0.30%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 29

39.0 Reference: IMPLEMENTATION AND ACCOUNTING MATTERS

Exhibit B-1, Sections 7.1.4, p. 79; Exhibit B-6, BCUC IR 27.2; Fort Nelson & District Chamber of Commerce (FNDCC) and Northern Rockies Regional Municipality (NRRM) Final Argument on 2022 Delivery Rates, pp. 1, 3.

Revenue Stabilization Adjustment Mechanism Deferral Account for FEFN

On page 79 of the Application, FEI proposes to consolidate FEFN's existing Revenue Stabilization

Adjustment Mechanism (RSAM) deferral account with FEI's existing RSAM deferral account as part of the implementation of common rates.

In response to BCUC IR 27.2, FEI stated that "the balance of FEFN's RSAM deferral account will be refunded to or recovered from all FEI customers, including FEFN, over two years in 2023 and 2024."

In the final argument on FEI's 2022 delivery rates, FNDCC and NRRM submit that the BCUC should direct that:

(a) if FEI's common rates application is approved, FEI (i) maintain a separate Revenue Stabilization Adjustment Mechanism (RSAM) account following amalgamation for FEFN's customers that reflects the balance in FEFN's RSAM account at December 31, 2022, and (ii) refund (or recover) that balance to FEFN's customers;

Further, on page 3 of their final arguments, FNDCC and NRRM submit that the balance in FEFN's RSAM account at December 31, 2022 "should be refunded within two years as is the case with the present RSAM account."

39.1 In the event that common rates are approved for FEFN, please discuss the pros and cons of the following approach:

(i) maintain a separate RSAM account for FEFN customers, following the implementation of common rates with FEI, that reflects the balance in FEFN's RSAM account at December 31, 2022; and

(ii) refund to (or recover from) FEFN customers only FEFN's RSAM account balance.

Response:

FEI cannot accurately forecast what the actual RSAM balance will be at December 31, 2022, as it is highly dependent on the weather and use pattern of each customer, which determines the actual use rate. The forecast ending credit balance of \$141 thousand at December 31, 2022 for

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 30

FEFN's RSAM deferral account, including RSAM interest at December 31, 2022, as shown in Schedule 8, Lines 2 and 3, Column 9 in Appendix E-1 of the Application, was based on the Projected 2021 additions only and did not include any forecast additions for 2022. This is because FEI does not forecast variances in its deferral accounts, and actual additions for 2021 and 2022 were not available at that time.

However, please refer to Table 1 and Table 2 below with the updated calculations of the RSAM rate rider and bill impact, respectively, in the same format as Tables 1 and 2 in the response to BCUC IR1 27.2.2, based on actual additions up to January 31, 2022. The calculations in Tables 1 and 2 below assume no additions for the rest of 2022 and amortization of the balance in FEFN's delivery rates in 2023 only. It can be seen that once the actual additions up to January 31, 2022 are included, the RSAM (including interest) balance projected to December 31, 2022 is now reduced from a credit of approximately \$141 thousand to a credit of \$23.4 thousand.

FEI's response to this information request is based on this updated RSAM balance and RSAM rate rider calculation shown in Tables 1 and 2 below. If common rates are approved for FEFN, the pros and cons of maintaining a separate RSAM account for FEFN customers that captures the balance up to December 31, 2022, which will be refunded to or recovered from FEFN customers only, are as follows:

Pros

- If the balance at December 31, 2022 is in a credit position, then returning the balance to FEFN customers only will have the effect of reducing their bills in 2023 (and 2024 if the return were to occur over two years). However, as discussed in the response to BCUC IR1 27.2.2, FEI cannot predict if the RSAM deferral account will be in a debit or credit balance at the end of December 31, 2022. This is evident from the updated Tables 1 and 2 below, where once the Actual 2021 and January 2022 additions were included, the credit balance of the RSAM plus RSAM interest was reduced from \$141 thousand to \$23.4 thousand. As such, there is no expectation that the RSAM balance will remain in a credit position at December 31, 2022. Additionally, as shown in Table 3 below, over the last 12 years from 2011 to 2022, there were only three years that the FEFN RSAM rate rider was in a credit position, with rider amounts ranging from a credit of \$0.416 per GJ to a debit of \$0.391 per GJ. It is therefore at least equally possible that the FEFN RSAM account balance at December 31, 2022 would be in a debit position.
- Since the amounts recorded in FEFN's RSAM deferral account are a result of variances in use rates for FEFN's customers only, if the balance in the FEFN RSAM prior to common rates is returned to or recovered from FEFN's customers only, then the disposition of the deferral is matched to the same customer group that created the additions to the deferral, and not shared with FEI's customers.

Cons

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 31

- If the balance at December 31, 2022 is in a debit position, then the entire balance will be recovered from FEFN's customers only as a debit rate rider which will increase the bill impact to FEFN's customers in 2023 (and 2024 if the recovery were to occur over two years). This will be in addition to the bill impact to FEFN's residential customers due to common rates. Furthermore, if FEI's RSAM is in a credit position at that time, then FEFN's customers will miss out on the savings available from FEI's credit RSAM rider.
- The FEFN RSAM rider generally has much higher variation between each year than FEI's RSAM rider, as shown in Table 3 below, which adds to the rate volatility issue faced by FEFN's customers. For example, FEFN's RSAM rider over the last 12 years has ranged from negative \$0.416 per GJ to positive \$0.391 per GJ, and between 2020 and 2021, the RSAM rider varied by \$0.51 per GJ (equivalent to 288 percent) from positive \$0.177 per GJ to negative \$0.333 per GJ. In contrast, the variation in FEI's RSAM rider has been smaller, from negative \$0.12 per GJ to positive \$0.246 per GJ. Therefore, if the remaining balance of FEFN's RSAM deferral account is recovered from FEFN's customers only, there would likely be more instability in their rates, especially if the variation is unfavourable to FEFN's customers (e.g., a large swing from a credit rider to a debit rider/lower credit rider).
- Returning or recovering the December 31, 2022 balance of FEFN's RSAM deferral account to or from FEFN's customers only is inconsistent with the approach that was approved by Order G-21-14 for the merging of the FEI and FEW RSAM deferral accounts, as discussed in the response to BCUC IR1 27.2 and in the response to BCUC IR1 5.5 in the 2022 RRA portion of the proceeding.

FEI is not opposed to the approach suggested in this IR, but FEI does not believe the approach is appropriate as it is inconsistent with past decisions and if the remaining balance prior to common rates is in a debit position, it would have a much larger negative impact on FEFN's customers than if the remaining balance is absorbed into FEI's RSAM deferral account.

Table 1: 2023 RSAM Rate Rider (Return/Recover all Dec 31, 2022 Balance from FEFN in 2023)

RSAM + RSAM Interest, Projected December 31, 2022 Balance	(23.4)
Amortization Period (years - 2023)	1
2023 Amortization post-tax (\$000)	(23.4)
Tax Rate	27%
2023 Amortization pre-tax (\$000)	(33.0)

RSAM (Rider 5) Calculation			
Rate Class	RSAM Amortization (\$000)	2023 Volume (TJ)	Rider (\$/GJ)
Rate Schedule 1		229.7	(0.073)
Rate Schedule 2		142.8	(0.073)
Rate Schedule 3		78.4	(0.073)
	(33)	450.9	(0.073)

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 32

Table 2: Estimated Average 2023 Bill Impact under Option 4 Compared to Status Quo (with FEFN's RSAM from Table 1 above included)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo (w/ RSAM) Bill Impact in 2023 (\$)	FEFN Option 4 - Common Delivery (w/ RSAM) and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 (\$)	FEFN Incremental Bill Impact (w/ RSAM) in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact (w/RSAM) in 2023 due to Common Rates Only (%)
Rate Schedule 1	125	110	263	153	15.3%
Rate Schedule 2	335	317	(44)	(362)	-12.5%
Rate Schedule 3	6,375	4,896	1,784	(3,112)	-7.2%

Table 3: FEFN and FEI Historical RSAM Rate Rider \$/GJ (2011 to 2022)

Year	FEFN RSAM Rider (\$/GJ)	FEI RSAM Rider (\$/GJ)
2011	0.033	(0.020)
2012	(0.011)	(0.032)
2013	0.145	(0.099)
2014	0.084	(0.120)
2015	0.039	(0.057)
2016	0.078	0.192
2017	0.268	0.246
2018	0.391	(0.041)
2019	0.199	(0.045)
2020	0.177	0.078
2021	(0.333)	0.087
2022	(0.416)	0.012

39.1.1 Please discuss the refund/recovery mechanisms available for the above-noted approach. For example, would a new rate rider specifically for FEFN customers be required?

Response:

If FEI is directed by the BCUC to return or recover the remaining December 31, 2022 balance of FEFN's deferral account to/from FEFN customers only, FEI proposes to utilize the same rate rider it currently uses (RSAM rate rider 5) but with FEFN's RSAM rate rider calculated separately for the refund/recovery of FEFN's RSAM remaining balance. To clarify, regardless of whether the FEI and FEFN RSAM accounts are combined or kept separate, FEI and FEFN customers could have different rate rider amounts under rate rider 5, as they do today, which could either be streamed to the individual accounts if kept separate, or both to the same account if the accounts were combined. FEI notes rate riders can be different between rate classes and also between

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 33

regions. For example, FEI's MCRA rider 6 is different between rate classes. Also as an example, the phase-in rider that was used between 2015 and 2018 for the amalgamation between Mainland, Vancouver Island, and Whistler was the same rate rider (i.e., rider 2) but the rider amounts differed between the three regions.

For additional context, if the remaining December 31, 2022 balance in the FEFN RSAM deferral was returned to or recovered from FEFN's customers over two years (i.e., 2023 and 2024) while the account itself was combined with FEI's RSAM deferral, then FEFN's RSAM rate rider in 2024 would include the remaining amount of the December 31, 2022 FEFN RSAM deferral account balance less amounts already recovered via the FEFN RSAM rider in 2023, as well as the portion of FEFN's contribution to FEI's RSAM deferral account for 2023. Note this latter amount would need to be recovered over one year (2024) so as to ensure FEI and FEFN could be transitioned to the same rider in 2025, otherwise the cycle of always returning/recovering half the previous year's FEFN-related additions via rider to/from customers would persist in perpetuity.

Alternatively, FEI could use a separate rate rider for each of FEI and FEFN customers; however, given the information above, there are no advantages to creating a separate rider. The downside of creating a new rider would be the additional administrative efforts and costs involved.

39.1.2 Please explain whether maintaining a separate RSAM account for FEFN customers and refunding to (or recovering from) FEFN customers the balance in FEFN's RSAM account at December 31, 2022 is appropriate only for the short-term, or if the proposal would be appropriate or possible beyond 2022.

Response:

As explained in the response to BCUC IR2 39.1, if the proposed move to common rates is approved, FEI does not believe it is appropriate to maintain a separate RSAM account for FEFN customers and FEI does not believe it is appropriate to recover/refund the December 31, 2022 balance in FEFN's RSAM account from FEFN customers only.

With regard to FEFN's RSAM beyond 2022, although it is possible to maintain FEFN's RSAM deferral account separate from FEI indefinitely beyond 2022, FEI does not believe it is an appropriate approach for the following reasons:

- As explained and illustrated in Table 3 in the response to BCUC IR2 39.1, even though FEFN's RSAM has been in a credit position in the last two years, there is no expectation that FEFN's RSAM is going to be in a credit position in the future. There were only three years over the last 12 years from 2011 to 2022 that FEFN's RSAM rate rider was in a credit position;

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 34

- Also shown in Table 3 in the response to BCUC IR2 39.1, FEFN's RSAM rate rider is generally higher than FEI's primarily because of the small customer base and load of FEFN compared to FEI (i.e., approximately 2,500 customers sharing the variance of FEFN's RSAM compared to over 1 million residential and commercial customers of FEI sharing the variance of FEI's RSAM). Therefore, if FEFN's RSAM balance changes to a debit position, it could result in a material impact to FEFN's customers, especially to FEFN's residential customers since they are the only customer group that will be negatively impacted on their bills due to common rates, excluding any potential impacts of the RSAM rate rider;
- Also shown in Table 3 in the response to BCUC IR2 39.1, the magnitude of changes (which can be either positive or negative) between each year is also on average larger for FEFN than FEI. Therefore, coupled with FEFN's RSAM rate rider being historically higher than FEI, it would create a certain degree of rate instability for FEFN's customers, which defeats one of the objectives of common rates (i.e., providing long-term rate stability to FEFN's customers as discussed in Section 5.2.2 of the Application). As mentioned above, FEI's RSAM is shared by over 1 million residential and commercial customers; therefore, the positive and negative swings in use rates by the residential and commercial customers can generally be absorbed by the large customer base, thus minimizing the impact of the RSAM rate rider to FEI's customers and, in most cases, avoiding the instability created by the RSAM that could be experienced by FEFN's customers; and
- Maintaining a separate RSAM deferral account and rate rider for FEFN's customers if common rates are approved would be inconsistent with the treatment applied to all other FEI regions and contradicts the principle of common (postage stamp) rates. The nature of the amounts captured in the RSAM deferral account, as well as the variations between each year, are not unique to FEFN. The forecast method applied to use rates for FEFN is the same as the method used to forecast FEI's use rates, and the purpose of the RSAM account (i.e., to capture variances in use rates due to weather and other uncontrollable factors) is the same between FEI and FEFN. Therefore, it is logical that the RSAM deferral account and rate rider should be common between FEI and FEFN, together with other components of the revenue requirement that make up FEI's delivery rates.

39.2 Please discuss the pros and cons of refunding to (or recovering from) FEFN customers only the balance in FEFN's RSAM account at December 31, 2022 over a period of: (i) one year; and (ii) two years, including any factors to be considered.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 35

1 **Response:**

2 Please refer to the response to BCUC IR2 39.1 for why FEI does not believe it is appropriate to
3 refund/recover the ending December 31, 2022 in FEFN's RSAM account to/from FEFN customers
4 only, including the pros and cons of such an approach.

5 FEI does not consider there to be a significant difference between refunding/recovering the ending
6 December 31, 2022 RSAM balance to/from FEFN's customers over one or two years. FEI does
7 not favour one approach over the other.

8 The advantage to refunding/recovering the remaining balance over one year is that FEFN's RSAM
9 balance would be eliminated over a shorter period. Furthermore, by refunding or recovering the
10 remaining balance over one year (e.g. 2023), it would naturally be more transparent than two
11 years (e.g., 2023 and 2024) since FEFN's RSAM rate rider in the first year of common rates will
12 only be related to the remaining balance of FEFN prior to common rates and not contain any
13 amount related to the contribution to FEI's RSAM that will occur in 2023 (please refer to the
14 response to BCUC IR2 39.1.1 for additional explanation). However, FEFN's customers would
15 see a larger bill impact (either positive or negative depending on the ending December 31, 2022
16 balance) if the remaining balance is refunded or recovered over one year.

17 The advantage to refunding/recovering the remaining balance over two years is there would be a
18 smaller impact to FEFN's customers each year since the balance would be spread over two years.
19 However, as previously explained, the RSAM rate rider for FEFN's customers in the second year
20 (i.e., 2024) would be mixed with the remaining balance of FEFN's RSAM prior to common rates
21 and FEFN's contribution to FEI's RSAM in 2023, resulting in decreased transparency. As
22 discussed in the response to BCUC IR2 39.1.1, this may also result in additional complexity
23 around future recovery of FEFN specific amounts.

24
25

26
27 39.3 Please provide the rate and bill impacts for each FEFN customer class if the
28 balance in FEFN's RSAM account at December 31, 2022 is refunded to FEFN
29 customers only within two years, assuming that there are no additions to the RSAM
30 account in 2022.¹²
31

32 **Response:**

33 As noted in FEI's response to BCUC IR2 39.1, FEI cannot accurately forecast what the actual
34 RSAM balance will be at December 31, 2022; the balance may be positive or negative. However,
35 in that response FEI provided an updated RSAM and RSAM interest balance up to December 31,
36 2022 which included actual additions up to January 31, 2022. The RSAM and RSAM interest

¹² This assumption is consistent with that used in FEI's response to BCUC IR 27.2.2 in Exhibit B-6.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 36

balance at December 31, 2022 used in Tables 1 and 2 below is based on the updated balance shown in BCUC IR2 39.1. FEI emphasizes again that this is not indicative of what the actual balance will be at December 31, 2022.

Please refer to Table 1 below for the calculation of the 2023 RSAM rate rider for FEFN's customers only, based on a two-year amortization period. Please also refer to Table 2 for the bill impacts due to both the RSAM rate rider in Table 1 and the impact due to common rates, assuming the proposed common rate option 4 is approved for FEFN.

Table 1: 2023 RSAM Rate Rider (Return/Recover all Dec 31, 2022 Balance from FEFN over two years in 2023 and 2024)

RSAM + RSAM Interest, Projected December 31, 2022 Balance	(23.4)
Amortization Period (years - 2023)	2
2023 Amortization post-tax (\$000)	(11.7)
Tax Rate	27%
2023 Amortization pre-tax (\$000)	(17.0)

RSAM (Rider 5) Calculation			
Rate Class	RSAM Amortization (\$000)	2023 Volume (TJ)	Rider (\$/GJ)
Rate Schedule 1		229.7	(0.038)
Rate Schedule 2		142.8	(0.038)
Rate Schedule 3		78.4	(0.038)
	(17)	450.9	(0.038)

Table 2: Estimated Average 2023 Bill Impact under Option 4 Compared to Status Quo (with FEFN's RSAM from Table 1 above included)

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo (w/ RSAM) Bill Impact in 2023 (\$)	FEFN Option 4 - Common Delivery (w/ RSAM) and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 (\$)		FEFN Incremental Bill Impact (w/ RSAM) in 2023 due to Common Rates Only (\$)	FEFN Incremental Bill Impact (w/RSAM) in 2023 due to Common Rates Only (%)
Rate Schedule 1	125	110	267		157	15.7%
Rate Schedule 2	335	317	(33)		(350)	-12.1%
Rate Schedule 3	6,375	4,896	1,797		(3,099)	-7.1%

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 37

40.0 Reference: IMPLEMENTATION AND ACCOUNTING MATTERS

**FNDCC and NRMM Final Argument on 2022 Delivery Rates, pp. 4–5;
Exhibit A-9, Order**

G-20-22 dated January 31, 2022; Exhibit B-4, BCUC IR 9.4, 9.5

**FEFN Common Rates and 2022 Revenue Requirement Deferral
Account**

With respect to the proposed FEFN Common Rates and 2022 Revenue Requirement Deferral Account, In the final argument on FEI's 2022 delivery rates, FNDCC and NRMM state, on pages 4 to 5:

For FEI's common rates application, however, if FEI is unsuccessful, FNDCC and NRMM disagree that FEI should be entitled to recovery of its regulatory costs from FEFN's ratepayers... FNDCC and NRMM therefore request that the Commission direct FEI to track the costs for the common rates proceeding and order that in the event that FEI is unsuccessful in its common rates application, these costs are not recoverable from FEFN's ratepayers.

By Order G-20-22 dated January 31, 2022, the BCUC amended the regulatory timetable for the review of the Application, which included a second round of BCUC and intervener IRs on common rates, intervener evidence on common rates, IRs on that intervener evidence, and an opportunity for FEI to file rebuttal evidence on common rates and responses to IRs on that rebuttal evidence.

In response to BCUC IR 9.5 on 2022 Delivery Rates (Exhibit B-4), FEI provide the following table showing a breakdown of the total Application costs between the common rates component and 2022 RRA component of the Application for 2021 and 2022:

Description	Common Rates Forecast			RRA Forecast		
	2021	2022	Total	2021	2022	Total
BCUC	\$ 0	\$ 24	\$ 24	\$ 2	\$ 5	\$ 7
Interveners	0	25	25	0	10	10
Legal	10	15	25	10	5	15
Notice Publication & Open House	9	0	9	9	0	9
Admin	0	1	1	0	0	0
Total (\$000s):	\$ 19	\$ 65	\$ 84	\$ 21	\$ 20	\$ 41

In response to BCUC IR 9.4 in Exhibit B-4, FEI stated, the estimated impact to FEI's delivery rates from the above-noted costs (for the total forecast Application cost of \$125,000) would be approximately 0.013 percent or \$0.001 per GJ when compared to FEI's proposed delivery rates for 2022; and if common rates are not approved, the estimated impact to FEFN's delivery rates would be approximately 4.97 percent or \$0.265 per GJ when compared to the proposed FEFN delivery rates for 2022.

FortisBC Energy Inc. (FEI or the Company) Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area (Application)	Submission Date: February 28, 2022
Response to British Columbia Utilities Commission (BCUC) Information Request (IR) No. 2 on Common Rates	Page 38

40.1 Please provide an update to the total forecast Application costs between the common rates component and 2022 RRA component of the Application for 2021 and 2022 given the amended timetable established by Order G-20-22.

40.1.1 For each of the updated Application costs related to common rates and the updated Application costs related to the 2022 RRA component of the Application, please provide the rate impact if the estimated cost is recovered from a) FEFN customers only and b) all FEI customers (including FEFN customers).

Response:

Please refer to the table below for an update to the total forecast Application costs as estimated between the common rates component and the 2022 RRA component for 2021 and 2022. The below table also provides the delivery rate impact when compared to 2022 rates if each component as well as the total is: (a) recovered from FEFN customers only, and (b) recovered from all FEI customers, including FEFN customers. FEI notes 2021 has been updated based on actuals (rounded) and 2022 has been updated based on the timetable established by Order G-20-22 setting out a second round of IRs, intervenor evidence, and the potential for rebuttal evidence and potential IRs if required.

Description	Common Rates Forecast			RRA Forecast			Total Combined
	2021	2022	Total	2021	2022	Total	
BCUC	0	25	25	0	7	7	32
Interveners	0	100	100	0	20	20	120
Legal	20	40	60	10	5	15	75
Notice Publication & Open House	9	0	9	9	0	9	18
Admin	0	0	0	0	0	0	0
Total (\$000s):	29	165	194	19	32	51	245
Delivery Rate Impact (Compared to 2022):							
a) Recover from FEFN customers only							
% Impact to Interim 2022 Delivery Rates			7.71%			2.03%	9.73%
\$ per GJ Impact to Interim 2022 Delivery Rates			\$ 0.412			\$ 0.108	\$ 0.520
Bill Impact to Average FEFN Residential Customer (UPC @ 125 GJ)			\$ 51			\$ 14	\$ 65
b) Recover from all FEI customers (incl. FEFN)							
% Impact to Approved 2022 Delivery Rates			0.02%			0.01%	0.03%
\$ per GJ Impact to Approved 2022 Delivery Rates			\$ 0.0010			\$ 0.0003	\$ 0.0012
Bill Impact to Average FEI Residential Customer (UPC @ 90 GJ)			\$ 0.09			\$ 0.02	\$ 0.11

10 STAKEHOLDER ENGAGEMENT

This section describes the stakeholder engagement planned and conducted for this Application. The stakeholder engagement plan undertaken by the FEU was designed to provide information to stakeholders and provide meaningful opportunities for feedback. The FEU consulted broadly with its customers through market research, direct mail and public information sessions. The FEU also conducted more focussed consultation with key stakeholders, such as Commission staff, stakeholders who have taken an interest in the Companies' regulatory review processes in the past, select industrial customers and the Mayor and Regional Council members of the Northern Rockies Regional Municipality ("NRRM"). In this section, the FEU provide a description of these activities and the feedback received from stakeholders.

This section is organized as follows:

- Section 10.1 provides an overview of the stakeholder engagement for the Application;
- Section 10.2 describes the objectives of the stakeholder engagement plan;
- Section 10.3 describes the key stakeholder engagement activities;
- Section 10.4 describes the broader stakeholder engagement activities;
- Section 10.5 summarizes the feedback and key findings obtained through the stakeholder engagement activities;
- Section 10.6 describes the activities comprising the stakeholder engagement plan post filing; and
- Section 10.7 is a summary of the stakeholder engagement for the Application.

10.1 Overview of the Stakeholder Engagement for the Application

The stakeholder engagement for this Application involved communication and consultation with key stakeholder groups as well as with the broader stakeholder community. Communication and consultation are both designed to enable stakeholders to understand the purpose and content of an application, as well as the direction and vision of the Companies. Communication involves the provision of information to educate stakeholders on policies, goals and proposals for the Company. Consultation on the other hand, implies a dialogue with stakeholders where input is sought to define dimensions of an issue or comment on a proposed policy. Consultation involves the exchange of ideas, such that the FEU can take into account or respond to feedback from stakeholders in its proposals.

The stakeholder engagement began with the FEU's 2012-2013 RRA, which discussed the proposal for amalgamation at a high level.²⁸⁶ The FEU's intent to amalgamate and implement

²⁸⁶ FortisBC Energy Utilities 2012-2013 Revenue Requirements Application (Section 1.2.5).

common rates has also been communicated and discussed in previous regulatory applications and proceedings.²⁸⁷

Following the filing of the 2012-2013 RRA, the FEU identified and began consultation with key stakeholders. Key stakeholders are those that the FEU identified as potentially being particularly impacted by the proposals included in the Application. These included stakeholders who have taken an interest in the Companies' regulatory review processes in the past, specific communities and select industrial customers. The FEU have held meetings with key stakeholders to:

- Inform them of the application;
- Discuss common rates and amalgamation;
- Receive feedback; and
- Develop approaches for the implementation of common rates and special contracts under the Amalgamated Entity where appropriate.

For example, consultation with the service area of Fort Nelson, which falls under the jurisdiction of the NRRM, took place to discuss amalgamation and the proposed phase-in approach for Fort Nelson common rates. Feedback obtained from representatives of the NRRM has been considered and has been factored into the proposed common rate approach for Fort Nelson as discussed below.

The FEU also commenced consultation and communication with the broader stakeholder community. Communications informed stakeholders of the impact and benefits of common rates and amalgamation, including the approximate proposed bill impact for each service area. Consultation activities included market research, bulletin board focus groups, face-to-face meetings with stakeholders, and Public Information Sessions in nine communities across the province. Feedback from stakeholders obtained through these activities has been taken into consideration in preparing the Application.

Upon filing of the Application, further communications will be provided to stakeholders through mail inserts, stakeholder letters, media releases and updates to the FortisBC website.²⁸⁸

10.2 Stakeholder Engagement Objectives

The objectives of the stakeholder engagement plan for this Application are to:

1. Inform stakeholders of the filing;
2. Provide information about the impact and benefits of common rates and amalgamation;

²⁸⁷ For example, TGV's 2010-2011 Revenue Requirements and Rate Design Application (pp. 16, 27, and 404), and TGI's 2010-2011 Revenue Requirements Application (p. 17).

²⁸⁸ www.fortisbc.com/commonrates

3. Communicate the proposed rate changes for the Amalgamated Entity; and
4. Provide opportunities for stakeholders to provide feedback which can then be considered and inform the Application prior to filing.

The stakeholder engagement activities used to achieve these objectives included key stakeholder engagement meetings, broader stakeholder engagement through media outreach, market research and public information sessions, as well as post-application consultation. Each of these is outlined in the following sections.

10.3 Key Stakeholder Engagement Activities

As an initial focus, the FEU sought to identify and consult with key stakeholders with respect to the Application. The key stakeholders identified by the FEU were:

- Stakeholders who have taken an interest in the Companies' regulatory review processes in the past:
 - *British Columbia Old Age Pensioner's Organization*
 - *Commercial Energy Consumers*
 - *BC Sustainable Energy Association*
- Select government staff and elected officials representing:
 - *The Northern Rockies Regional Municipality*
 - *The Ministry of Energy and Mines*
- Select industrial customers:
 - *BC Hydro*
 - *VIGJV*

Meetings with these key stakeholder groups took place to inform them of the Application and discuss common rates, amalgamation, and anticipated bill impacts. Through discussions about the upcoming filing, stakeholders were provided with the opportunity to pose questions and raise concerns, which the Companies have considered and, where appropriate, addressed in this Application. A summary of the meetings with key stakeholders, including names of attendees and meeting dates, can be found in Appendix E-1.

Meetings with the key stakeholders mentioned above will continue post-filing if requested by them, to address any further concerns or questions that they may have.

Due to the impact that common rates will have on Fort Nelson and the complexity of some special customer contracts, three key stakeholders - Fort Nelson, BC Hydro and the VIGJV – were identified as stakeholders requiring additional consultation. The following subsections discuss that consultation in detail.

10.3.1 FORT NELSON ENGAGEMENT

As discussed in Section 6.7 (*Impact of Common Rates on FEI and FEFN Customers*), the adoption of postage stamp rates will result in rate increases for FEI and Fort Nelson customers.

The FEU met with representatives from the NRRM, including the Mayor and Corporate Staff, to discuss common rates and amalgamation. Two meetings were conducted with the Mayor and Corporate Staff, one via teleconference, and one face-to-face in Fort Nelson. At both meetings the FEU representatives advised that feedback received would shape the approach for Fort Nelson common rates going forward and that the proposed common rates were subject to BCUC approval. Topics of discussion during the two meetings included the rationale behind the FEU's request, impact and benefits of amalgamation, and potential common rate implementation options. During the two meetings it was agreed that a one-time rate increase would result in too large of an impact on customers and the Mayor asked the FEU to consider alternatives to a one-time rate increase. Based on this feedback, the FEU proposed two common rate phase-in options for the service area of Fort Nelson (please see Appendix E-3, Fort Nelson Presentation, slide 5).

The FEU's proposed amalgamation and two common rate phase-in options were then presented by the Mayor, without FEU representatives present, to the NRRC, composed of Fort Nelson elected officials, on September 20th, 2011 and a vote was conducted to select the desired phase-in approach. "There was general agreement from Council that no matter what option was preferred, the entire scenario would result in an unfair rate increase on Fort Nelson residents"²⁸⁹ but based on the two options presented the preference was to phase-in common rates over a 15-year period with any impact delayed until year six (refer to Appendix E-2 for approved NRRC Minutes²⁹⁰ and Common Rates Phase-In Decision). The FEU agreed to propose this approach for Fort Nelson customers within this Application (see Section 8.4.1.1). If approved, Fort Nelson common rates will reach parity with the Amalgamated Entity by 2029.

For further information on feedback received from Fort Nelson customers, the NRRC and Fort Nelson & District Chamber of Commerce ("FNDCC"), refer to section 10.5 below.

10.3.2 VANCOUVER ISLAND GAS JOINT VENTURE ENGAGEMENT

As noted in Section 9.2, VIGJV was not included in the rate class mapping as it has a special Transportation Service Agreement ("TSA") in place with FEVI. The FEU have met with and had discussions with each of the individual members of the VIGJV to discuss the FEU's proposal for amalgamation and the appropriate approach for the agreement between FEVI and the VIGJV going forward under the Amalgamated Entity.

At the time of consultation, the TSA with the VIGJV was set to expire on December 31, 2012, subject to a five year extension as mutually agreed to by both parties, with notification to FEVI

²⁸⁹ Northern Rockies Regional Council Minutes September 20, 2011, page 3

²⁹⁰ Minutes approved at the Northern Rockies Regional Council meeting held on October 24th, 2011.

prior to October 1, 2011. Given the timing of the application to amalgamate, the VIGJV and the FEU agreed to extend the TSA for a five year term with VIGJV having the right to terminate the extension without penalty if the FEU were to amalgamate (refer to Appendix E-4 for VIGJV Transportation Service Agreement Extension Letter). If the VIGJV chooses to terminate the TSA upon amalgamation, the VIGJV will have the option to receive transportation service pursuant to one of FEI Amalco's rate schedules available to large industrial customers.

10.3.3 BC HYDRO ENGAGEMENT

FEI and FEVI currently have long-term service agreements (Transportation Service Agreement, Peaking Agreement and Capacity Assignment Agreement) in place with BC Hydro for service to the Island Cogeneration Plant on Vancouver Island. To ensure that BC Hydro is appropriately engaged with regards to its long-term service agreements, the FEU have met with representatives from BC Hydro to discuss the FEU's intent to apply for amalgamation and the implications it may have for its contracts with BC Hydro.

Discussions are on-going and the FEU will continue to work with BC Hydro to review the existing suite of agreements concerning service to the Island Cogeneration Plant on Vancouver Island and will amend any language that is required to maintain the original intent of the agreements if the FEU amalgamate.

10.4 Broader Stakeholder Engagement

The FEU's stakeholder engagement also included consultation with broader stakeholders, including municipalities, associations and customers in all service areas, through media outreach, market research and public information sessions.

10.4.1 COMMUNICATIONS & MEDIA OUTREACH

To communicate with and inform the broader stakeholder community of the Application, the FEU used communication tools, such as advertisements, web, mail and media, and also sought out media coverage through news releases, interviews and social media.

10.4.1.1 Communications

To promote awareness of the Application and the public information sessions, communications included:

- A webpage on *fortisbc.com*,²⁹¹ informing customers, the general public, employees and other stakeholder groups of the rationale for common rates and amalgamation, as well as the proposed rate changes, bill impacts and public information sessions being held in each region. In addition to the dedicated webpage, a banner on the main fortisbc.com webpage highlighted the Application and directed viewers to more information;

²⁹¹ <http://www.fortisbc.com/About/RegulatoryAffairs/GasUtility/CommonRatesAndRateDesign/Pages/default.aspx>

- Publication of Frequently Asked Questions (“FAQ”) documentation and the Public Information Session Storyboards on the webpage;
- Distribution of letters to commercial and industrial customers to inform them of the proposed rate changes and the approximate impact to their bills;
- Distribution of letters to municipalities, local government staff, and elected officials to inform them of the Application and the nine public information sessions (refer to Appendix E-9 for sample letter); and
- Advertisements in the following provincial and local newspapers:

Table 10.1: Newspaper Publications

Market	Publication	# of Publications	Week of
Newspaper Publications			
Victoria	Victoria News	2	January 30 th
Victoria	Victoria Times Colonist	2	January 30 th
Vancouver	Province	2	January 30 th
Vancouver	Vancouver Courier East/West	2	January 30 th
Vancouver	Vancouver Sun	2	January 30 th
Vancouver	Westender	1	January 30 th
Squamish	Squamish Chief	2	January 30 th , February 6 th
Whistler	Whistler Pique	2	January 30 th , February 6 th
Whistler	Whistler Question	2	January 30 th , February 6 th
Kelowna	Kelowna Capital News	2	February 6 th
Kelowna	Kelowna Courier	2	February 6 th
Courtenay Comox	Comox Valley Record	2	February 6 th
Courtenay Comox	Courtenay Comox Valley Echo	2	February 6 th
Prince George	Prince George Citizen	2	February 6 th , February 13
Prince George	Prince George Free Press	2	February 6 th
Delta	Delta Optimist	2	February 13 th
Peach Arch	Peace Arch News	2	February 13 th
Surrey	Surrey Leader	2	February 13 th
Surrey	Surrey Now	2	February 13 th
Cranbrook / Kimberley	Cranbrook Daily Townsman	2	February 20 th
Cranbrook / Kimberley	Cranbrook Kootenay News Advertiser	2	February 20 th
Fort Nelson	Fort Nelson News	2	February 13 th , February 20 th
Digital Publications			
Kelowna	Castanet	1	February 6 th
Prince George	Prince George Citizen	1	February 6 th
Victoria	Victoria Times Colonist	1	January 30 th
Vancouver	Vancouver Sun Vancouver Province	1	January 30 th
Surrey	Surrey Now Delta Optimist	1	February 13 th

In addition to advertisements, web and mail communications, the Companies' intention to implement common rates through amalgamation has also been communicated in person with various stakeholders over the past year such as the Rental Owners and Managers Society of BC, Association of Vancouver Island and Coastal Communities ("AVICC"), Greater Victoria Chamber of Commerce, the Resort Municipality of Whistler and other Mainland and Vancouver Island municipalities.²⁹²

10.4.1.2 Media Outreach

In addition to the communications outlined above, the FEU sought media coverage through the issuance of a news release, interviews, and social media.

A news release was distributed in November to provincial media to inform media and the general public of:

- The FEU's November 1, 2011 Application for Amalgamation;
- The reasons for and benefits of common rates and amalgamation; and
- The proposed rate changes and bill impacts. (*See Appendix E-7 for News Release*).

While the present Application has superseded the November 1, 2011 Application, the information on amalgamation presented in the New Release is still consistent and relevant.

Media coverage (other than paid media, such as advertising) was gained through calling or emailing media outlets in order to draw attention to the public information sessions, and provide details about the Application. Interviews were conducted across the Province and media coverage was attained through radio, television, print and online stories.

The following interviews were conducted in 2012:

- February 8, CBC Radio, Kelowna
- February 8, CISQ FM Radio, Whistler (with reach to Sunshine Coast)
- February 9, CHEK TV, Victoria (with reach to Courtenay)
- February 13, Castanet News, Kelowna
- February 14, AM 1130 Radio, Kelowna
- February 14, CILK FM Radio, Kelowna
- February 14, Whistler Pique newspaper, Whistler
- February 14, KBS Radio, Nelson (with reach to Kootenay area)
- February 14, EZ Rock, Trail (with reach to Kootenay area)
- February 16, 97 FM Radio, Prince George

²⁹² Refer to Appendix E-1 for complete list of stakeholders.

- February 16, Prince George Citizen newspaper, Prince George
- March 6, CBC Daybreak Radio, Prince George (with reach to Fort Nelson)
- March 6, Fort Nelson News newspaper, Fort Nelson

The interviews noted above resulted in the following media coverage:

Table 10.2: Media Coverage

Date	Media outlet	Time	Approximate # of Listeners/Viewers (if available)
Radio & Television			
Feb 8	CISQ FM, Whistler	8:00 am	
Feb 9	CBC Radio, Kelowna	6:30 am	5,000
Feb 9	CBC Radio, Victoria	6:30 am	11,000
Feb 9	CBC Radio, Kelowna	6:51 am	5,000
Feb 9	CBC Radio, Victoria	7:30 am	15,000
Feb 9	CBC Radio, Vancouver	7:30 am	54,000
Feb 14	CKFR FM, Kelowna	8:00 am	4,000
Feb 14	CKFR FM, Kelowna	Noon	4,000
Feb 14	CKKC FM, Nelson	8:00 am	
Feb 14	CILK FM, Kelowna	8:00 am	9,000
Feb 16	CJCI FM, Prince George	4:00 pm	3,000
March 6	CBC Radio, Prince George/Fort Nelson	6:45 am	
Print & Website Postings			
Feb 9	CBC website	Website	
Feb 13	Castanet news, Kelowna	Website	
Feb 14	AM 1150 news, Kelowna	Website	
Feb 14	EZ Rock FM, Trail	Website	
Feb 16	HQ Prince George	Website	
Feb 16	Prince George Citizen	Website and print	
Feb 16	Prince George Free Press	Print	28,601

The established FortisBC Twitter account was also used to draw awareness to the public information sessions. Generic tweets were posted for all FortisBC followers, with a link to the information session webpage on fortisbc.com. Targeted @replies were also posted to reach out to either the local Chambers of Commerce – if on Twitter – or local online outlets and events listing services that target the area.

10.4.2 MARKET RESEARCH

The FEU contracted with Vision Critical, a leading 3rd party research vendor, to determine:

- Residential customer attitudes to common rates and amalgamation before and after key messaging was offered;
- Levels of support on a regional basis; and
- Concerns or specific objections to the proposed changes.

In consultation with the FEU's market research team, Vision Critical developed and recommended a quantitative study using web based surveys and a qualitative study using web based bulletin board focus groups.

Quantitative research is used to measure how people feel, think or act in a particular way. These surveys tend to include large samples and are structured questionnaires that incorporate questions with set responses. Qualitative research on the other hand seeks out the 'why', not the 'how,' of its topic through the analysis of unstructured information. Qualitative research is designed to "elicit a range and depth of opinions rather than to measure proportions or percentages."²⁹³ Both approaches were used to get a thorough understanding of how residential customers perceive the common rates application and how to best communicate the proposal going forward. Both types of research provide different perspectives and complement each other.

Whistler customers were not included in the quantitative or qualitative market research because:

- a small population of FEU customers live in the area (2,300 residential customers);
- there is a very high seasonal occupancy rate for properties in Whistler (during the conversion project from propane to natural gas FEU found that approximately 70% of the residential dwellings in Whistler were not occupied year-round), which makes it difficult to contact the property owner;
- many property owners live outside of British Columbia; and

²⁹³ Appendix E-6, Vision Critical Qualitative Market Research Report, "Residential Customer Opinions - Common Rates Qualitative Research Report", page 7

- a substantial number of properties in Whistler are part of rental property pools managed by third party management companies, which also makes it difficult to contact the property owner.²⁹⁴

While Fort Nelson was included in the quantitative market research, a dedicated qualitative focus group was not needed for Fort Nelson customers due to the key stakeholder consultation conducted with Fort Nelson described above and the Fort Nelson public information session described below.

More detail on the quantitative and qualitative studies is provided below.

10.4.2.1 Quantitative Study: Surveys

For the quantitative study, Vision Critical randomly selected residential customers from the FEU's service areas (except Whistler) and invited them to complete a web-based survey. Of the residential customers invited, 948 completed the web based surveys. This number of completed surveys results in a standard error of $\pm 3.2\%$ at the 95% confidence level, meaning that results will be accurate within 3.2% 19 out of 20 times.

To make the survey results representative of the FEU's residential customer base, Vision Critical collected a sample that was as close to the general population as possible so that less weighting was required when analyzing the results. They did this by "balancing" the survey invitations they sent out so that the data collected reflects the general population variables such as gender and age as closely as possible. Vision Critical then weighted the data to reflect the FEU's natural gas regional customer distribution. More "weight" was given to responses from the larger service areas than the smaller service areas when looking at total results. However, Vision Critical also set minimum quotas per region to give the FEU enough completed surveys to look at results within each service area surveyed. While minimum quotas were reached for the Vancouver Island, Lower Mainland, Inland and Columbia service areas, only 14 Fort Nelson customers completed surveys, which is not a statistically significant amount. The results obtained for Fort Nelson should therefore be viewed as directional only.

The results of the survey showing customer reactions to the FEU's common rates proposal are included as Appendix E-5 to the Application. Key findings are discussed in section 10.5 (Feedback).

10.4.2.2 Qualitative Study: Focus Groups

The qualitative study aimed to gather an in-depth understanding of how residential customers feel about the proposal and the reasons that govern such feelings. To accomplish this, three web-based bulletin board focus groups were held, encompassing residential customers from the Lower Mainland, Inland, Columbia and Vancouver Island service areas.

²⁹⁴ Appendix E-5, Vision Critical Quantitative Market Research Report, "Residential Customer Opinions - Common Rates Research Survey Quantitative Report", page 2

Each focus group consisted of 12-15 FEU natural gas residential customers. Focus group participants were posed a series of questions over a 2.5 day period and were given the ability to answer questions, pose questions or comment on other responses from focus group members. In particular, participants were asked about their feelings about common rates and their communication needs with respect to the FEU's proposal.

The results of the qualitative study showing customer reactions to the FEU's common rates proposal are included as Appendix E-6 to the Application. Due to the small sample size, the results should be interpreted as directional in nature. Key findings are discussed in section 10.5 (Feedback).

10.4.3 PUBLIC INFORMATION SESSIONS

The FEU held nine information sessions across the province to ensure that the broader stakeholder community, including interested residents, commercial customers, First Nations, and government stakeholders, were provided with an opportunity to learn about and provide feedback for the Application. The public information sessions encouraged attendees to learn more about the drivers for common rates, in addition to the benefits and proposed impacts of common rates for all natural gas customers. Storyboards were provided to help guide attendees through the proposal and all attendees were encouraged to ask questions and provide feedback (refer to Appendix E-12 for a complete set of Storyboards).

The public information sessions were advertised in local news media across the six natural gas service areas, on the FortisBC website and through letters to local government officials/staff, First Nations groups, and business associations. For the list of stakeholder letters and sample notifications, see Appendices E.

The nine public information sessions were conducted in the following communities:

Table 10.3: Public Information Sessions

Community	Location	Date	Time	Number of Attendees
Victoria	Harbour Towers Hotel	02/06/2012	6:00-8:00pm	2
Vancouver	Italian Cultural Centre	02/07/2012	6:00-8:00pm	10
Whistler	Whistler Convention Centre	02/13/2012	6:00-8:00pm	2
Kelowna	Holiday Inn Express	02/14/2012	6:00-8:00pm	7
Courtenay	Crown Isle Resort	02/15/2012	6:00-8:00pm	5
Prince George	Prince George Civic Centre	02/16/2012	2:00-6:00pm	7
Cranbrook	Prestige Rocky Mountain Resort	02/28/2012	6:00-8:00pm	10
Fort Nelson	Woodlands Inn	03/01/2012	6:00-8:00pm	13
Surrey	Surrey Central Library	03/05/2012	6:00-8:00pm	6

At each session, attendees were provided with an information sheet (see Appendix E-10) detailing the proposal, and FEU employees were available to answer any questions that they may have had. Once attendees had reviewed the storyboards and their questions had been answered, they were asked to fill out a feedback form and provide comments on common rates (refer to Appendix E-11 for sample feedback form).

A total of 62 people signed in to the nine information sessions, representing residential and small commercial customers, and the FEU received 46 completed feedback forms. A summary of the feedback form results and comments can be found below in Section 10.5.3.

10.4.4 LARGE COMMERCIAL & INDUSTRIAL ENGAGEMENT

Due to the relatively large impact that common rates could have on customers that consume large volumes, the FEU specifically engaged the large commercial and industrial customers. To engage these customers, the FEU sent an electronic letter informing the customers of the Application and provided background information regarding common rates, amalgamation and the impact to rates. The letter incorporated a link to a short online survey to gather feedback on the Application. The letter explained to customers that the FEU were gathering feedback from customers regarding the Application and would submit the feedback to the BCUC to be incorporated in the review of the Application.

The letter was sent to 884 of FEI's large commercial and industrial customers,²⁹⁵ 80 of the larger FEVI customers and 75 of the larger FEW customers. The customers that the FEU contacted represent all of the Large Commercial and Industrial customers that the FEU currently has in its contact database. The customers that received the communication were from a wide cross section of sectors, such as education, municipalities, restaurants, recreation facilities, hotels, manufacturing, multifamily/apartments, offices, agriculture, food & beverage processing, wood products and mining. Together, the letter was sent to a total of 1,039 contacts which represent approximately 2,000 accounts across the FEU.

A total of 50 customer representatives completed the online survey. A summary of the feedback form results and comments can be found below in Section 10.5.4.

10.5 Feedback

Feedback from the NRRC, VIGJV, BC Hydro and the broader stakeholder community has been considered and factored into this Application where appropriate. Other Interveners, while interested in the consultation, did not provide specific feedback on the Application or the proposal for common rates or amalgamation. Stakeholders, including residential and small commercial customers, were provided with the opportunity to provide feedback via the common

²⁹⁵ The customers were from FEI's rates 5, 7, 23, 25, 27 and 22.

rates webpage on FortisBC.com, by attending one of the nine public information sessions held throughout the province, and residential customers were asked to participate in the market research online study and bulletin board focus groups conducted by Vision Critical. In addition, 1,039 Commercial and Industrial contacts were informed of the Application and asked to provide feedback.

The following subsections summarize the stakeholder feedback obtained.

10.5.1 KEY STAKEHOLDER FEEDBACK

As previously detailed in section 10.3, consultation with key stakeholders took place prior to filing this Application. No major concerns were raised by the stakeholders who have taken an interest in the Companies' other regulatory review processes in the past and feedback received from BC Hydro and VIGJV will shape their specific contracts with the FEU if amalgamation is approved.

Despite a proposed 15 year phase-in period, feedback received from Fort Nelson customers, the NRRM and Fort Nelson & District Chamber of Commerce is not supportive of the proposal for common rates. The Fort Nelson & District Chamber of Commerce has submitted two letters to the British Columbia Utilities Commission outlining its view that common rates are not in the best interest of Fort Nelson customers (see Appendix E-15 for Fort Nelson & District Chamber of Commerce BCUC Letters). Part of the information provided within the letters is based on the FEU's November 2011 application that has subsequently been withdrawn and replaced with this Application. Other information is based on the Chamber of Commerce's perception of meetings between the FEU and the NRRM Mayor and Corporate Staff that they did not attend. The FEU have provided a response to a number of the statements in these letters in Appendix E-16.

While Fort Nelson customers will see a significant increase to their rates as a result of common rates, the FEU believe that Fort Nelson will benefit from the proposals as described in Sections 6.3 and 6.5.

For further feedback received from Fort Nelson customers, please see section 10.5.2 for market research results across the Province, and section 10.5.3, which summarizes the feedback received from public information session attendees.

10.5.2 MARKET RESEARCH FEEDBACK

As discussed previously, quantitative and qualitative market research was conducted to quantify awareness and opinions of this Application, in addition to determining which messages resonate with customers for future communications.

Based on results from the quantitative study, which obtained a total of 948 completed online surveys, Vision Critical reports that "before actually seeing the rate impact on their particular

region, customers are moderately receptive to the common rates application.”²⁹⁶ When participants were asked whether they support or oppose the idea of paying the same rates for services such as natural gas, fuel oil, electricity, telephone, cable, and gasoline, regardless of where they live, over half of the customers believed that it makes sense to pay the same rates.²⁹⁷

Prior to viewing the impact of common rates on each service area, when asked how much they support the common rates application, only 16% of those surveyed opposed the common rates proposal. Once the impacts were shared however, the opposition percentage increased to 44%, while 53% remained supportive or neutral.²⁹⁸

In addition, similar results were found when participants were asked in a later question whether they support the statement that “the move to common natural gas pricing across the province makes sense for FortisBC customers”. 56% of those surveyed somewhat to strongly supported the statement prior to viewing the impacts, while only 16% somewhat to strongly opposed it. Once the impacts were shared, the percentage of those participants who originally somewhat to strongly supported the statement, decreased to 41%, and those that opposed or strongly opposed the statement increased to 34% (the percentage of respondents with a neutral response increased only slightly from 20% pre-impact to 21% post-impact).²⁹⁹

As expected, Vancouver Island participants were the most supportive of common rates with only 11% opposing the move to common rates across the service areas. Fort Nelson participants on the other hand, strongly opposed common rates, with only 19% of participants being somewhat supportive. For the Lower Mainland and Interior service areas, 37% and 38% respectively supported the idea of common rates across the Province once the impacts had been shared, while 36% and 39% opposed it.³⁰⁰

In the qualitative study, Vancouver Island customers were positive about the decrease but at the same time were upset that common rates have not been proposed sooner.³⁰¹ Lower Mainland, Inland and Columbia³⁰² customers were dissatisfied with common rates, but this is largely due to the impact, not the idea of common rates in general. One Lower Mainland customer stated that, “I didn't realize people paid different rates based on where they live. If our rates don't go up I would be in support of this change since it's revenue-neutral for the company. It sounds like it's

²⁹⁶ Appendix E-5, Vision Critical Quantitative Market Research Report, “Residential Customer Opinions - Common Rates Research Survey Quantitative Report”, page 8

²⁹⁷ Ibid. page 4

²⁹⁸ Appendix E-5, Vision Critical Quantitative Market Research Report, “Residential Customer Opinions - Common Rates Research Survey Quantitative Report”, page 4

²⁹⁹ Ibid. Pages 13, 14

³⁰⁰ Ibid. page 14

³⁰¹ Appendix E-6, Vision Critical Qualitative Market Research Report, “Residential Customer Opinions - Common Rates Qualitative Research Report”, page 12

³⁰² Inland and Columbia customers are referred to as BC Interior and Columbia/Kootenays customers respectively in Vision Critical Market Research Reports

an initiative to help customers in need.”³⁰³ Another customer from the Interior stated that, “It would be more effective and fair to have a “common rate” all across the province and would allow for more services to everyone.”³⁰⁴

The FEU recognize that the support for common rates is largely dependent on rate impact and has taken this feedback into consideration. Based on recommendations obtained through the qualitative research, which saw that customers would rather see common rates phased-in over a three year time period,³⁰⁵ the FEU has adjusted its allocation of the RSDA and is proposing to phase-in the effects of common rates for Lower Mainland, Inland and Columbia service area customers over three years.³⁰⁶ As discussed in Section 8.4.1.3, returning the RSDA in 3 equal annual installments is forecast to limit delivery rate annual bill increases from amalgamation on Lower Mainland, Inland and Columbia customers until rates are aligned in 2017.

In addition to providing comments on common rates, focus group participants stated that they want and expect more information on why the proposal is being put forward at this time, why there are three legal entities and what the benefits of the proposal are.³⁰⁷ The FEU has taken this feedback into consideration and sections 2, 3, and 6 of the Application address all of these requests for further information in detail. If the Application is approved, customers would like time to prepare and expect to be notified of the change to their rates six months ahead of time.³⁰⁸ If this Application is approved, the FEU are planning to implement common rates for January 1, 2014 and will provide notice to customers three to six months prior to the change.

10.5.3 PUBLIC INFORMATION SESSION FEEDBACK

The following results obtained from the public information sessions are directional only due to the small number of customers, 62 in total, who attended the nine sessions across the Province. Of the 62 customers that attended, 46 individuals completed a feedback form and 13 responders represented Fort Nelson, the smallest FEU service area.

Overall, Vancouver Island and Whistler customers were very supportive of the proposal for common rates and service offerings across the province. Eight out of nine respondents agreed or strongly agreed that customers should pay the same rate for natural gas regardless of where they live and that this proposal makes sense for our customers. One Courtenay customer commented that “It’s about time! Everybody paying the same in British Columbia. Its getting too expensive to use and people are looking at different ways of heating their homes.”

Feedback received from FEI customers ranged from strong support to strong opposition; however, over half of the respondents agreed or strongly agreed that customers should pay the

³⁰³ Appendix E-6, Vision Critical Qualitative Market Research Report, “Residential Customer Opinions - Common Rates Qualitative Research Report”, page 11

³⁰⁴ Ibid. page 11

³⁰⁵ Ibid. page 16

³⁰⁶ Refer to Section 8.4.1.3 for further information on three year phase-in of rates for FEI customers.

³⁰⁷ Appendix E-6, Vision Critical Qualitative Market Research Report, “Residential Customer Opinions - Common Rates Qualitative Research Report”, page 16

³⁰⁸ Ibid.

same rate for natural gas and have access to the same service offerings regardless of where they live. Only 6 out of 23 respondents felt that this proposal did not make sense for FortisBC customers and one Prince George customer stated that “Streamlining the cost of gas across the province sounds logical as long as our gas bills do not increase dramatically because of our winters as compared to the lower mainland weather”. While many were supportive, some customers still felt that each service area should pay a rate based on their cost of service and that Mainland customers should not subsidize Vancouver Island and Whistler customers.

Regardless of industry or type of utility, large increases are generally not desirable in the eyes of the public and as expected, Fort Nelson attendees were not in favour of the proposal. All respondents either disagreed or strongly disagreed with the statement that customers should pay the same rate for natural gas regardless of where they live. When asked about services, however, respondents were split with regards to having access to the same services and offerings regardless of location. Based on comments received, respondents felt that the proposal was unfair for Fort Nelson customers, that a rate reduction should be given to customers in colder climates and that they should not pay transportation costs.

The feedback obtained at the public information sessions aligns with that received from the market research and should be weighted accordingly. While Fort Nelson strongly opposes the proposal for common rates, the majority of customers in the larger service areas of the Lower Mainland, Inland and Columbia do not oppose common rates, and the Vancouver Island and Whistler service areas strongly support the proposal.

For a breakdown of the public information session feedback, please refer to Appendix E-13.

10.5.4 LARGE COMMERCIAL & INDUSTRIAL FEEDBACK

Out of the 1,039 letters sent out to commercial and industrial contacts, 50 individuals completed the feedback questionnaire and 30 commented on the proposal. Due to the minimal number of responses received, responses should be viewed as directional only and do not statistically represent the commercial and industrial customer base. Of the 50 respondents, 32 are FEI customers, while 18 represent Vancouver Island, Sunshine Coast, Powell River and Whistler customers. When asked whether they agree that customers should pay the same rate for natural gas regardless of where they live or operate their business, 22 out of 50 respondents disagreed or strongly disagreed with the statement and 24 agreed or strongly agreed.³⁰⁹ With regards to programs and service offerings across the Province, the majority were in favour of having access to the same programs and service offerings regardless of location - 29 respondents agreed or strongly agreed that customers should have access to the same programs and service offerings regardless of location, while 19 disagreed or strongly disagreed with the idea.³¹⁰

³⁰⁹ 4 out of 50 respondents provided an answer of “Neither Disagree nor Agree” or “Don’t Know.”

³¹⁰ 2 out of 50 respondents provided an answer of “Neither Disagree nor Agree” or “Don’t Know.”

Similar to the market research comments and website feedback, comments received from the Commercial and Industrial customers ranged from strong opposition to strong support. Some businesses believe that this proposal will negatively impact their operations and is unfair for businesses that have set up on the Mainland. One customer stated that they “disagree with making the cost of gas cheaper in areas where the actual cost is higher. This seems to me to be an incentive for people and companies to set up in areas where the actual economics don't make sense and penalizes those people that are located in areas that make more economic sense.” Another individual who did not agree with the proposal commented that “Business locations are often determined by utility costs, transportation costs and proximity to suppliers. Increasing costs to long-established businesses for the betterment of Vancouver Island residence is not acceptable.”

In contrast, numerous comments were received that strongly support the proposal for common rates. One Vancouver Island customer stated that “We fully support this proposal as a large employer on Vancouver Island. Businesses should not be penalized with higher natural gas costs based on where they operate. This initiative will contribute to our competitiveness and ability to sustain and increase employment where we operate.” Another customer commented that “As a resident of Vancouver Island I would certainly appreciate the rate relief offered for my own domestic purposes. I also work in the forest products industry and can see first-hand how the rate discrepancies for an island industrial user adversely effects our economic viability when compared to the industrial rates enjoyed by users on the lower mainland - the current rate structure puts us at a significant disadvantage. The lower rate structure (if approved) may enable us to pursue additional business which could lead to increased employment.”

A detailed summary of the Large Commercial and Industrial feedback, including question results and comments, can be found in Appendix E-14.

10.5.5 WEBSITE & STAKEHOLDER LETTER FEEDBACK

Only 29 comments were received via the website feedback form and many were questions concerning the impact of common rates and billing concerns, rather than comments on the common rates proposal. Of the comments focused on this Application, feedback was split between support and opposition. Respondents spanned all six service areas, and comments mirrored results obtained from the other feedback venues. Some customers felt that the increase in FEI rates was too large and that Vancouver Island residents should pay a higher premium for receiving goods on the island. Other FEI customers did not agree with that sentiment and felt that common rates would create a level playing field similar to other utilities in the Province.

With regards to stakeholder letters, over 400 letters were sent out to various types of stakeholders across the Province, including MLAs, municipal Chambers of Commerce, First Nations groups, Mayors and municipal corporate staff (refer to Appendix E-8 for Stakeholder Letter Contact List). Less than 10 responses were received, and each respondent inquired about the impact that common rates would have on their specific municipality.

In addition to rate impact inquiries, six letters of support have been received prior to filing this Application from the following stakeholders; Whistler Chamber of Commerce, District of North Saanich, Corporation of the District of Saanich, Village of Cumberland, AVICC, and the Town of Qualicum Beach (see Appendix E-17 for letters).

10.6 Post-Application Filing Activities

Following the filing of this Application, stakeholder engagement activities will continue. In addition to the Commission's notice requirements, the following activities are scheduled to take place:

1. Post-Filing:

- Bill inserts sent to all residential, commercial and industrial customers, informing them of the filing; and
- Meetings with key stakeholders noted in Section 10.2, if requested.

2. Post-Approval (If common rates and amalgamation are approved):

- Bill insert sent to all residential, commercial and industrial customers, outlining the rate changes 6 months prior to implementation;
- A second bill insert sent out to FEVI, FEW and FEFN customers, detailing changes to their bill structure. FEVI, FEW and FEFN each have a distinct bill structure, which will be changed following the implementation of common rates to align with the rest of the FEU;
- FortisBC website article outlining rate changes; and
- Distribution of letters to First Nations, suppliers, lenders and other third parties to inform them of the amalgamation and that any agreements with FEI, FEFN, FEVI and FEW are still effective under the Amalgamated Entity.

10.7 Summary of Engagement

The Common Rates, Amalgamation and Rate Design Application stakeholder engagement plan included communication and consultation with a broad range of stakeholders through a variety of activities. Through activities such as stakeholder meetings, public information sessions, market research, bill inserts, web, media outreach and customer letters, stakeholders have been and will continue to be appropriately notified, consulted and sufficiently informed of the impact of common rates. Feedback obtained through the consultation process has been reviewed and incorporated into the Application where appropriate.

Based on the feedback received from customers, Vancouver Island and Whistler customers are very supportive of the common rates proposal, whereas Fort Nelson customers strongly oppose

it. Due to the impact to Fort Nelson customers, the FEU is proposing to phase-in common rates over a 15-year period. While the majority of Lower Mainland, Inland and Columbia customers do not oppose the idea of common rates, support is largely dependent on rate impact. As such, the FEU is proposing to phase in Mainland rates over a period of three years to mitigate the impact on FEI customers.

As discussed in this section, the FEU have broadly engaged its stakeholders with respect to the Application and will provide notice to customers of any rate changes if the Application is approved.