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February 28, 2022

Residential Consumer Intervener Association
c/o Midgard Consulting Inc.
Suite 828 – 1130 W Pender Street
Vancouver, B.C.
V6E 4A4

Attention: Mr. Peter Helland, Director

Dear Mr. Helland:

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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 2 on Common Rates

On August 12, 2021, FEI filed the Application referenced above. In accordance with regulatory timetable established in British Columbia Utilities Commission Order G-20-22 for the review of the Application, FEI respectfully submits the attached response to RCIA 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): Commission Secretary
Registered Parties

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A. <u>HISTORY AND THE EVOLUTION OF COMMON RATES</u>

9. Reference: Exhibit B-8, RCIA IR 1 to FEI, IR 1.1

Amalgamation of Squamish into Terasen

In response to BCUC IR1 1.1, FEI states: "The amalgamation of Squamish Gas into Terasen Gas Utility Ltd. (now FEI), with Squamish Gas included into the Lower Mainland service area effective January 1, 2007. Prior to the amalgamation on January 1, 2007, the rates for gas service in Squamish were based on the competitive price of heating oil and the trailing rates of BC Hydro's tariff. Squamish Gas at that time had 3,352 customers compared to FEI with over 800,000 customers. With the amalgamation and common rates, Squamish Gas' residential customers' bills were increased by approximately 10 percent, depending on consumption; however, large commercial customers served under RS 3 saw a slight drop in their bills."

9.1 Explain whether and how FEI (or Terasen) phased in the FEI/Terasen rates for Squamish customers, or otherwise mitigated the 10% bill impact.

<u>Response:</u>

There were no phase-in or mitigation measures for residential customers in Squamish; the 10 percent bill impact was immediate on January 1, 2007. The BCUC approved Terasen Gas' rates effective January 1, 2007 by Order G-160-06, dated December 14, 2006[1].

As part of the Terasen Gas Application for Approval of 2007 Revenue Requirements and Delivery Rates proceeding, the BCUC asked FEI (then Terasen Gas or TGI) whether the rate increase for Squamish (i.e., TGS) customers resulting from the amalgamation would be phased in, and FEI provided the following response:[2]

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1 TGI Application for Approval of 2007 Revenue Requirements and Delivery Rates, Decision and Order G-160-06.

2 Exhibit B-5, BCUC IR1 20.4.

No, the rate increase will not be phased in. As per Special Direction No. 3, TGS customers are to be treated as TGI lower mainland customers as of January 1, 2007, and must be charged TGI Lower Mainland rates.

9.2 Explain whether there was negative customer feedback attributed to this amalgamation and provide any available customer feedback received by the Company.

Response:

FEI is unaware of any negative customer feedback attributed to this amalgamation and the rate increase that residential customers in Squamish experienced in 2007. Based on FEI's review of historical data and discussions internally with staff, FEI notes the following:

- There were no letters of comment filed in either the 2006 Annual Review or the 2007 Annual Review from customers in the Squamish area.
- FEI staff who were involved in the Annual Reviews and the amalgamation of TGI and Terasen Gas Squamish have no recollection of there being any letters or complaints from Squamish customers in 2006 or 2007.
- During 2006 and 2007, customer complaints/comments were dealt with by the Regulatory Affairs department and there is no record of any contact from customers in Squamish.

B. CONTEXT OF COMMON RATES

10. Reference: Exhibit B-8, RCIA IR 1 to FEI, IR 2.1, 2.2, 3.3 Customer Benefits of Common Rates

In response to RCIA IR1 2.1, FEI states: "RCIA has asked a number of IRs requesting various analyses seeking to determine when FEFN's residential (RS 1) rates would achieve parity with FEI's RS 1 rates under different isolated scenarios. While FEI responds to these IRs (i.e., RCIA IR1 2.1, 2.2, 3.2 and 3.3) below, FEI disagrees with the implication that FEI's proposals for common rates were premised on FEI and FEFN residential customers reaching rate parity in a certain timeframe, or at all.

The benefits and Objectives of common rates described in the Application, and as elaborated on in response to BCUC and intervener IRs, do not depend on residential rate parity between FEI and FEFN."

10.1 Is the purpose of including information in the Application on declining customer load and capital expenditures (in the FEFN service territory) to show that, absent implementation of common rates, FEFN customers are at risk of escalating rates due to these two factors, and that common rates would alleviate this risk? If not, explain what FEI is trying to demonstrate with this information.

Response:

The impact of FEFN's declining customer load and capital expenditures on its delivery rates are well-documented in the Application and are factors which have contributed to increases in FEFN's delivery rates and to FEFN's delivery rate volatility. These factors, in conjunction with FEFN's small customer base, will continue to contribute to delivery rate pressure and volatility if FEFN remains as a standalone service area. While FEI expects that the move to common rates will help to address these issues due to FEI's much larger customer base, there are many reasons that support the move to common rates which FEI has described in detail in both the Application and in BCUC and intervener IR responses.

FEI also notes that the IR quoted in the above preamble (i.e., RCIA IR1 2.1) was specifically asking about achieving rate parity between FEI and FEFN's residential customers and was requesting analysis based on one isolated factor (i.e., demand reduction). As such, FEI stated in its response (as provided in the preamble) that it disagrees with the implication that the Proposed Common Rate Option was premised on FEI and FEFN residential customers reaching rate parity and that the analysis requested was not reasonable due to the RCIA's desire to look at one factor (i.e., decrease in demand) in isolation of all other factors impacting FEFN's delivery rates. FEI does not disagree that declining customer demand and the impact of capital expenditures on FEFN delivery rates are important factors to consider when evaluating the proposed moved to common rates; however, they are not the only factors to consider, which is why FEI developed the four Objectives for evaluating its common rate options and why FEI has reviewed the

Proposed Common Rate Option against the Bonbright Principles of Rate Design, and in consideration of FEI's corporate and operational history and government policy generally.

In response to RCIA IR1 2.1, FEI states: "There are other factors which would affect FEFN's and FEI's RS 1 delivery rates which have not been considered at all."

10.2 Are declining customer load and capital expenditures the two most significant factors? If not, what factors are more significant?

Response:

FEFN's customer load and capital expenditures are two factors that impact delivery rates and which support the move to common rates; however, they are not the only factors. The following are all factors which FEI considers significant and which have (and will) create rate pressures for FEFN:

- Regulatory burden and costs associated with regulatory filings;
- Small customer base in FEFN resulting in large rate volatility;
- Declining load and customers in FEFN;
- Capital expenditures for FEFN required for reliability, safety and integrity of the natural gas system in FEFN; and
- The decarbonized environment in the future which puts significant risk of rate increases in FEFN.

While FEI has no plans to do so at this time, there is the potential for the O&M allocation to FEFN to be revisited in the future, which would likely result in an increased O&M allocation to FEFN and a resulting increase to FEFN's delivery rates (if FEFN remains as a standalone service area). There is also the potential for future rate design proceedings to result in the rebalancing of rates, which could shift more costs to residential customers, thereby increasing FEFN residential customers' delivery rates. Please also refer to the response to RCIA IR2 12.1.

10.3 Identify the other factors that put FEFN customers at risk of significant rate increases.

Response:

Please refer to the response to RCIA IR2 10.2.

In response to RCIA IR1 2.1, FEI states: "FEI does not consider it reasonable to continue to delay the immediate savings which would be experienced by FEFN's commercial customers until residential rate parity is achieved. Additionally, as explained in Section 5.2 of the Application, FEFN's residential customers will benefit from improved delivery rate stability as a result of the Proposed Common Rate Option, and FEI and its customers (including current Fort Nelson customers) will benefit from reduced regulatory effort and process and improved fairness across service areas."

10.4 Why is FEI applying to implement common rates now and not, for example, two years ago or two years from now?

Response:

Due to various regulatory filings impacting either FEI and/or FEFN, FEI did not consider it appropriate to file for common rates for FEFN during the time period of 2016 to 2020. These regulatory filings were discussed in Sections 4.2.2 and 4.2.3 of the Application and FEI discusses the implications of these filings further in this response.

In the FEI 2016 COSA and Rate Design Application (2016 RDA), FEI sought and received approval of new rates and rate structures for FEFN (Orders G-4-18 and G-135-18) that aligned with the rate structures of FEI's service area. This allowed for a better and more transparent comparison in terms of bill impact between FEI and FEFN. These revised rate structures were implemented January 1, 2019, and FEI included these in the 2019-2020 FEFN RRA. As the 2016 RDA was the first comprehensive review of FEFN's rate design and resulted in aligning FEFN's rate structure with FEI's service area effective January 1, 2019, FEI considered that also pursuing common rates during this time period would be overly complicated and that FEI would be in a better position to assess the implications to FEFN customers of moving to common rates once the two service areas' rate structures were more closely aligned.

Subsequent to the 2016 RDA Decision, FEI filed the 2019-2020 RRA for FEFN. As explained in Section 4.2.3 of this Application, there were a number of reasons why FEI did not propose moving to common rates in the 2019-2020 RRA, including: (i) FEI was in the process of applying for its 2020-2024 multi-year rate plan (MRP) which created uncertainty as to when (and in what form) FEI's rate-setting framework and rates would be in place; and (ii) FEI was in the process of implementing the 2016 RDA changes as part of the FEFN 2019-2020 RRA, which, due to revenue rebalancing, was creating additional rate pressures for some of FEFN's customer classes for 2019.

In the BCUC's Decision and Order G-48-19 regarding FEFN's 2019-2020 RRA, the BCUC directed FEI to include in the next RRA a discussion of the potential for postage stamping rates in FEFN and made the following observations[3]:

> Based on the magnitude of the rate increases requested and the continuing downward trend of the total energy demand in FEFN, in the Panel's view, unless some significant changes in circumstances were to occur, it is likely that FEFN's residential customers would not experience a significant rate increase from moving to postage stamp rates in the near future. The Panel agrees with the CEC [Commercial Energy Consumers of BC] that it is not necessary for there to be no rate impacts in order to transition to postage stamp rates, and that transitional impacts can be minimized and managed with sufficient planning and fore-thought.
>
> The Panel recognizes that FEI has not yet filed its RRA to set 2020 rates for FEI, and as such it is not yet in the position to forecast the rate impact of postage stamp rates in 2020.

FEI had initially planned on filing for common rates as part of its 2021 RRA; however, due to the onset of the COVID-19 pandemic in early 2020 and the resulting government restrictions and uncertainties, particularly in the first year of the pandemic, FEI did not consider it an appropriate time to commence consultation efforts on common rates. As new protocols and tools were put in place to manage during the pandemic, such as "virtual town halls" and other virtual communication tools, and this form of communication became the "new normal", FEI considered it reasonable to commence development of the common rates application and conduct consultation in 2021.

With regard to why FEI does not consider it appropriate to delay applying for common rates into the future, please refer to the response to BCUC IR1 9.5. FEI also reiterates that moving to common rates as proposed is beneficial for all the reasons provided in the Application and in IR responses (including the response to RCIA IR1 2.1 quoted in the preamble) and that there is no additional benefit to be gained from delaying the move to common rates into the future.

10.5 Provide any available evidence, such as customer survey data, that shows the relative importance placed by RS 1 residential customers on rate stability compared to low rates.

[3] Appendix A to Order G-48-19, pp. 10-11.

Response:

FEI does not have any specific evidence that would indicate the relative importance placed by residential customers on rate stability as compared to low rates; however, FEI does not believe that the term "low rates" is appropriate in any case, as there is no basis upon which to determine whether a rate is "low" or "high". Based on the feedback FEI received at the virtual town hall and at the meetings with the Regional Council and the Fort Nelson First Nation Chief and Council, it is fairly clear that customers/stakeholders are not in favour of rate increases, and that a particular area of concern is that Fort Nelson customers should not be required to pay the same storage and transport rates as FEI due to FEFN's proximity to the Fort Nelson gas plant. While there was no feedback specific to rate stability, stakeholders such as the Fort Nelson District and Chamber of Commerce (FNDCC) have intervened in past RRAs when FEI has applied for large delivery rate increases for FEFN, such as in the 2015-2016 RRA. In that RRA, FEI received approval to increase FEFN's 2015 and 2016 delivery rates by 16.67 percent and 10.85 percent, respectively. FNDCC opposed the delivery rate increases, referring to the cumulative two-year rate increase as "rate shock"[4]. Larger rate increases such as the ones experienced in 2015 and 2016 are an example of rate volatility which has and will continue to occur in FEFN due to FEFN's small customer base.

10.6 How do FEI's Fort Nelson residential customers benefit from reduced regulatory effort on the part of FEI? Can FEFN residential customers expect any service improvements or decreases in rates as a result of FEI's reduced regulatory effort?

Response:

Please refer to the response to BCUC IR1 8.6 which discussed how the reduction in regulatory effort benefits FEFN customers. Additionally, please refer to the response to RCIA IR1 4.3 which discussed whether FEFN customers could expect any changes or improvements to the services they receive as a result of adopting common rates.

10.7 How do FEI's Fort Nelson residential customers benefit from fairness across service territories, which RCIA interprets to mean paying the same RS 1 rates?

[4] FEFN 2015-2016 RRA proceeding, FNDCC Final Argument, p. 3.

Response:

Please refer to Table 5-18 of the Application as well as the response to BCUC IR1 2.1 for a detailed discussion regarding the issue of fairness. FEI does not agree with RCIA's interpretation that fairness simply means paying the same RS 1 rates. Fairness generally refers to the principle of cost causation or cross subsidization under Bonbright's rate design principle 2. 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). As such, current rates for FEFN are not representative of the true regional differences in costs to serve FEI and FEFN, and it is difficult to justify the continuing rate disparity between FEFN and other FEI customers for essentially the same service of delivering energy when most customers pay the same rates, regardless of location. Under common rates, all FEI customers within the same rate class, including those in FEFN, will pay the same rate for the same level of service regardless of their location.

FEI also notes that, as explained in the response to BCUC IR1 7.1, when developing the four Objectives for evaluating common rates options, which included a fairness objective, FEI considered the impact of each common rate option on FEFN and FEI and sought to achieve the best solution for both service areas, recognizing that none of the options, including the status quo, perfectly meet the Objectives or benefit all FEFN and FEI customers equally.

C. REVIEW OF COMMON RATE OPTIONS

11. Reference: Exhibit B-6, BCUC IR 1 to FEI, IR 11.3; Exhibit B-1, Application, p.37
Incremental Bill Impacts

In response to BCUC IR1 11.3, FEI provides revised tables of bill impacts:

Revised Table 5-14: Estimated FEFN 2023 Average Bill Impact under Option 4 Compared to Status Quo

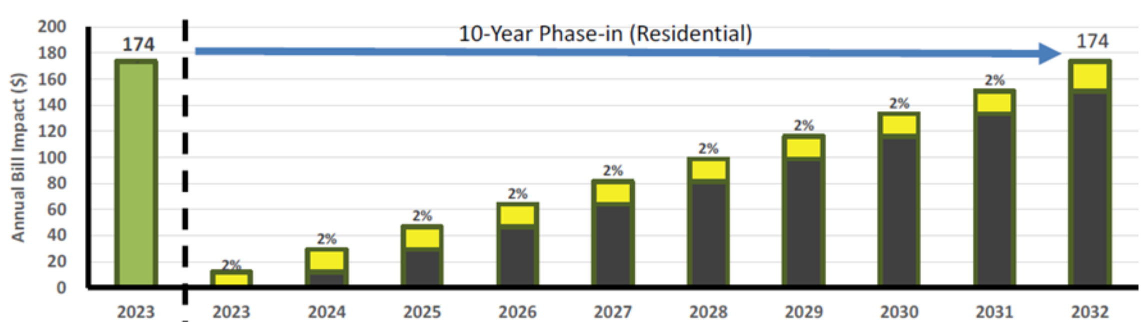
	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 ($)	FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	220	157	14.9%
Small Commerical RS 2	335	191	(159)	(350)	-11.6%
Large Commerical RS 3	6,375	2,486	(841)	(3,327)	-7.2%

Table 4: Estimated FEFN 2023 Average Bill Impact under Option 4 (with FEFN's Residential Phase-in Credit Rider) Compared to Status Quo

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 ($)	FEFN Option 4 - Common Delivery and Cost of Gas Rate with Midstream @ 5% of FEI Bill Impact in 2023 ($) - <u>With RS 1 Phase-in</u>	FEFN Incremental Bill Impact in 2023 due to Common Rates Only ($) - <u>With RS 1 Phase-in</u>	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%) - <u>With RS 1 Phase-in</u>
Residential RS 1	125	63	58	(5)	-0.5%
Small Commerical RS 2	335	191	(159)	(350)	-11.6%
Large Commerical RS 3	6,375	2,486	(841)	(3,327)	-7.2%

In the Application FEI presented Figure 5-3:

Figure 5-3: Illustration of 10-year Phase-in Rider for an Average FEFN Residential Customers



11.1 Please confirm that under FEI's proposed common rates implementation (Option 4 with phase-in rate rider), Residential RS 1 customers can expect a favourable bill impact in 2023 compared to the status quo of maintaining separate FEFN rates. If not confirmed, please explain.

Response:

FEI clarifies the proposed phase-in for FEFN's residential customers is associated with the delivery rates only. Figure 5-3 of the Application referenced in the above preamble shows the incremental (unfavourable) bill impact for FEFN residential customers due to phasing in common delivery rates only over a 10-year period. Table 4 provided in the response to BCUC IR1 11.3 showed the total bill impact of FEI's proposed common rate option 4 which included common delivery rates, common commodity rates, and midstream rates set at 5 percent of FEI's midstream rates. As shown in Table 5-13 of the Application, based on the 2022 gas costs for FEFN and FEI in the 2021 Second Quarter Gas Cost Report filed with the BCUC on June 2, 2021 (see Section 5.3.1 of the Application for details), the FEFN commodity rate is slightly higher than the FEI commodity rate, which results in the small savings (i.e., $5 in credit position) for FEFN's residential customers shown in Table 4 of BCUC IR1 11.3.

FEI is unable to predict FEFN's commodity rate relative to FEI's commodity rate at January 1, 2023. However, the two commodity rates are generally similar. Table 4 of BCUC IR1 11.3 is highlighting that FEI expects the total bill impact to FEFN's residential customers in 2023 to be very small with the implementation of the proposed phase-in rate rider. However, depending on FEFN's commodity rate relative to FEI's commodity rate, the actual impact could be slightly favourable or unfavourable.

11.2 Please confirm whether Residential RS 1 customers can expect unfavourable bill impacts (compared to the status quo) in 2024 and subsequent years as the phase-in rider declines and FEFN RS 1 rates approach the full FEI RS 1 rates, as shown in Figure 5- 3 of the Application.

Response:

Confirmed. As discussed in the response to RCIA IR2 11.1, the bill impact to FEFN's residential customers in year 2 (as well as other years) would also depend on the commodity rates in each year. Based on the 2022 gas costs for FEFN and FEI in the 2021 Second Quarter Gas Cost Report filed with the BCUC on June 2, 2021 (see Section 5.3.1 of the Application for further details), FEI expects FEFN's residential customers will experience unfavourable bill impacts (compared to status quo) in 2024 and subsequent years as the phase-in rider declines and FEFN's residential customers approach the full FEI common residential rates. Please refer to Table 3 of the response to BCUC IR1 15.5 for the 10-year total bill impact (including delivery, commodity, and midstream) to FEFN’s residential customers, based on the gas costs from the 2021 Second Quarter Gas Cost Report.

12. Reference: Exhibit B-8, RCIA IR 1 to FEI, IR 8.1 Revenue to Cost and Margin to Cost Ratios

In response to RCIA IR1 8.1, FEI provides a table from FEI's 2016 Rate Design Application:

Table 13-27: Revenue to Cost and Margin to Cost Ratios after rebalancing

Rate Schedule	COSA after Rate Design Proposals		Rebalance Amount ($000)	Approximate Annual Bill Change	COSA after Rate Design Proposals and Rebalancing	
	R:C	M:C			R:C	M:C
Rate 1 *Domestic (Residential) Service*	91.7%	89.4%	66.5	5.4%	95.9%	94.8%
Rate 2.1 *General (Small Commercial) Service*	108.2%	110.8%	(35.0)	-2.2%	105.0%	106.6%
Rate 2.2 *General (Large Commercial) Service*	115.8%	120.0%	(37.2)	-8.6%	105.0%	106.4%
Rate Schedule 25 *General Firm Transportation Service*	91.5%	91.5%	5.7	6.2%	95.0%	95.0%

12.1 Does FEI expect the current revenue to cost and margin to cost ratios to be similar to those in the referenced table? If FEI is unable to characterize the ratios as "similar", does FEI expect that the current RS 1 ratios to be less than 100% and the RS 2 ratios to exceed 100%?

Response:

FEI does not expect the current revenue to cost and margin to cost ratios would be similar to the table shown in RCIA IR1 8.1 and as referenced above since, as of November 2020, FEFN no longer has any industrial customers (RS 25). As such, the costs originally allocated to FEFN's industrial customers will likely get shifted to FEFN's other rate classes. However, FEI is unable to predict whether the RS 1 and RS 2 ratios would be less than or higher than 100 percent. FEI does not have the updated revenue to cost and margin to cost ratios for FEFN at this time. As noted in the response to RCIA IR1 8.1, FEI is directed to file a COSA study five years after the release of the RDA Decision, which will be 2023. If common rates are not approved, FEI will include the updated revenue to cost and margin to cost ratios for FEFN as part of the COSA study.

12.2 If the revenue to cost and margin to cost ratios are similar, or at least remain below and above 100% respectively for RS 1 and RS 2, does the proposed implementation of common rates move the ratios toward 100%?

Response:

As discussed in the response to RCIA IR2 12.1, FEI cannot predict if the revenue to cost and margin to cost ratios for FEFN will remain below and above 100 percent for RS 1 and RS 2, respectively, if FEFN remains a standalone service area. If common rates for FEFN are approved, FEI does not expect that the inclusion of FEFN in its calculations will impact the revenue to cost and margin to cost ratios for FEI's residential and commercial rate classes (RS 1, 2, and 3) given the small impact of FEFN on FEI as demonstrated in the response to BCUC IR1 11.1.

The table shown below is the revenue to cost ratios and margin to cost ratios for FEI as part of FEI's 2016 RDA Decision (Orders G-4-18 and G-135-18). Based on these ratios, with the exception of the margin to cost ratio for FEFN's residential customers, all other revenue to cost ratios and margin to cost ratios for FEFN's residential and commercial customers would be improved (i.e., moved closer to 100 percent when comparing the ratios for FEFN as referenced in the preamble versus the ratios shown below) as a result of moving to common rates. For the margin to cost ratio for FEFN's residential customers, moving to common rates would result in a decrease of 0.2 percent (from 94.8 percent to 94.6 percent).

As noted in the response to RCIA IR1 8.1, FEI is directed to file a COSA study five years after the release of the RDA Decision, which will be 2023. FEI expects the revenue to cost and margin to cost ratios for all FEI rate classes will have changed compared to the 2016 RDA Decision regardless of whether common rates are implemented.

Table 12-3: R:C and M:C Results after Rate Design Proposals and Rebalancing

Rate Schedule	COSA after Rate Design Proposals		Rebalance Amount ($000)	Approximate Annual Bill Change	COSA after Rate Design Proposals and Rebalancing	
	R:C	M:C			R:C	M:C
Rate Schedule 1 *Residential Service*	96.4%	94.6%	1,214.4	0.2%	96.6%	94.6%
Rate Schedule 2 *Small Commercial Service*	102.2%	104.1%			102.2%	104.1%
Rate Schedule 3/23 *Large Commercial Sales and Transportation Service*	103.6%	107.6%			103.6%	107.6%
Rate Schedule 5/25 *General Firm Sales and Transportation Service*	106.3%	112.6%	(1,138.5)	-1.2%	105.0%	112.6%
Rate Schedule 6/6P *Natural Gas Vehicle Service*	131.7%	160.4%	(75.9)	-20.3%	105.0%	109.5%
Rate Schedule 22A *Transportation Service (Closed) Inland Service Area*	113.0%	113.4%			113.0%	113.4%
Rate Schedule 22B *Transportation Service (Closed) Columbia Service Area*	103.1%	103.1%			103.1%	103.1%
Rate Schedule 22 *Large Volume Transportation Service*	100.0%	100.0%			100.0%	100.0%

Rate Schedule *(rates not set using allocated costs)*	COSA after Rate Design Proposals		Rebalance Amount ($000)	Approximate Annual Bill Change	COSA after Rate Design Proposals and Rebalancing	
	R:C	M:C			R:C	M:C
Rate Schedule 4 *Seasonal Firm Gas Service*	150.2%	578.3%			150.2%	578.3%
Rate Schedule 7/27 *General Interruptible Sales and Transportation Service*	139.3%	713.6%			139.3%	713.6%

D. IMPLEMENTATION AND ACCOUNTING MATTERS

13. Reference: Exhibit B-8, RCIA IR 1 to FEI, IR 4.3; Exhibit B-6, BCUC IR 1 to FEI, IR 31.2 Renewable Gas Program

In response to RCIA IR1 4.3, FEI states: “However, as explained in the response to BCUC IR1 31.2, FEFN’s customers will benefit in the future from an expansion of service offerings if common rates are approved, as FEI plans to offer its renewable gas program to FEFN customers subsequent to the completion of the Comprehensive Review and Application for a Revised Renewable Gas Program regulatory process which is currently underway with the BCUC.”

In response to BCUC IR1 31.2, FEI states: “FEI did not propose as part of the Proposed Common Rate Option to make FEI’s Renewable Gas (RG) program (including Biomethane) available to FEFN customers. This is because FEI has recently completed a comprehensive review of FEI’s RG program and has filed an application for changes with the BCUC on December 17, 2021 (the Comprehensive Review and Application for a Revised Renewable Gas Program or RG Application). Given that the RG Application is requesting changes to the current Biomethane service offering and related Rate Rider 3, and given the uncertainty around what changes may be approved, FEI believes it would be more appropriate to wait until a decision on the RG Application is issued to offer the RG program to FEFN customers. If the RG Application, including new rate riders, is approved and if the BCUC approves common rates for FEFN, FEI will propose to make the RG program available to FEFN customers either separately or during the RG Application proceeding if applicable.”

13.1 If common rates are not approved, explain whether it is possible for FEI to offer the renewable gas program, or a variation on the program, to FEFN customers following approval of the renewable gas program by the BCUC.

<u>Response:</u>

As discussed in the response to BCUC IR1 3.2, given FEFN’s small customer base, it would likely be cost prohibitive if FEI were to design and offer a Renewable Gas Program (RG Program) for FEFN as a standalone service area. Although it may be possible to offer the RG Program to FEFN as a standalone service area, the supply costs and an allocation of the administration and marketing of the program would be borne by FEFN customers, which would have a considerable impact on FEFN’s rates given the small customer base. With regard to the specific form of RG Program that FEI might be able to offer FEFN customers if common rates were not approved, FEI would need to evaluate the possible options once it receives approval of its RG Program Application currently under review with the BCUC.

13.2 Are common rates the only way for FEFN customers to have access to the RG program? If so, explain why FEFN customers would not be able to access the RG program if common rates are not implemented. If not, please provide a description of how FEFN customers could access the RG program.

Response:

Please refer to the response to RCIA IR2 13.1.