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January 10, 2024

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

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Energy Inc. (FEI)

2023 Cost of Service Allocation (COSA) Study and Application for Approval of Revenue Rebalancing (Application) ~ Project No. 1599563

FEI Reply Submission on Further Process

FEI writes to provide its reply submission on further process in accordance with the regulatory timetable established by the British Columbia Utilities Commission (BCUC) in Order G-218-23 with respect to the above referenced Application.

Both the Residential Consumer Intervener Association (RCIA) and Commercial Energy Consumers Association of BC (CEC) agree with FEI that no further evidentiary process is required and that this proceeding can move to a written argument phase. Neither RCIA nor CEC object to the regulatory timetable proposed by FEI in its initial submission in Exhibit B-8.

The British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Council of Senior Citizens' Organizations of BC, Active Support Against Poverty, Disability Alliance BC, the Tenant Resource and Advisory Centre, and the Together Against Poverty Society (BCOAPO), however, requests a second round of information requests (IRs). FEI submits that BCOAPO has not justified the need for a second round of IRs and that BCOAPO's characterization of FEI's proposals and the record in this proceeding is inaccurate.

Contrary to BCOAPO's submission, FEI has not "implicitly positioned this Application generally as a 'compliance filing'". While FEI filed the Application in compliance with the BCUC's directive in Decision and Order G-135-18 (2016 RDA Decision), the level of detail and analysis presented in the Application, and approvals sought, clearly demonstrates FEI's intent to file a fulsome, standalone application for revenue rebalancing. Also contrary to BCOAPO's submission, and as set out more fully below, FEI's proposals do not include methodological changes from those approved by the BCUC in Decision and Order G-4-18 (2016 COSA Decision).

BCOAPO lists six items in support of its request for a second round of IRs. For the reasons set out below, these six items do not warrant further evidentiary process:

1. **Range of Reasonableness:** The range of reasonableness of +/-5% was determined in the 2016 COSA Decision, at page 35. The BCUC's reasons supporting this determination are extensive, and there is no change in circumstances since the 2016 COSA Decision that would signal that a change in the range is needed. In any case, if the range of reasonableness were to revert back to the +/- 10% range that BCOAPO supported¹ but the BCUC rejected in the 2016 COSA Decision, then FEI's analysis shows that no rebalancing would be needed.² In addition, there are already numerous IRs exploring the range of reasonableness.³ As such, FEI submits that BCOAPO has not demonstrated a need to explore the range of reasonableness further.
2. **Demand-Side Management (DSM):** FEI's treatment of DSM expenditures is unchanged from the methodology used by FEI in the 2016 rate design proceeding, which was endorsed by Elenchus (the BCUC's independent expert), and approved by the BCUC as part of the 2016 COSA Decision.⁴ With respect to the comments from BCOAPO:
 - a. FEI's response to RCIA IR1 11.1 explains how the DSM costs are functionalized and allocated. FEI splits DSM costs based on the incentive spending between residential, commercial and industrial; within each group, DSM costs are then allocated based on energy. Given that there is only one residential rate schedule, the splitting might appear to be a direct assignment for the residential rate schedule; however, for the commercial and industrial rate schedules, the DSM costs are allocated based on energy. Allocating the DSM costs without first splitting based on the incentive spending between the different customer groups, as suggested by BCOAPO, would contravene the principle of cost causation.
 - b. The percentage breakdown shown in Figure 1 of the response to BCOAPO IR1 6.10 is different than in Figure 3 of BCOAPO IR1 1.2 because the two figures are showing two different things. Figure 3 of BCOAPO IR1 1.2 is the percentage breakdown of energy demand, while Figure 1 of BCOAPO IR1 6.10 is the percentage breakdown of the cost of service of DSM costs. These are different since, as explained in the response to RCIA IR1 11.1, the DSM costs are first split between residential, commercial and industrial, and then allocated based on energy.
3. **Treatment of Tilbury 1A:** Tilbury 1A is a new asset and FEI's proposed allocation ensures alignment between the treatment of costs and revenues. As the revenue from Tilbury 1A is allocated based on delivery margin, it is logical to allocate the costs in the same way. There is little merit in alternative allocations, as any alternative would misalign the treatment of costs and revenues related to this asset.⁵

¹ 2016 COSA Decision, p. 33.

² Exhibit B-5, BCOAPO IR1 2.2.

³ Exhibit B-4, BCUC IR1 19.4; Exhibit B-5, BCOAPO IR1 1.5, 1.7, 2.2, 2.3, 2.3.1, 2.3.2, 3.1, 3.2.

⁴ Exhibit B-7, RCIA IR1 11.1.

⁵ Exhibit B-4, BCUC IR1 8.1.

4. **Treatment of O&M Expenses:** Contrary to BCOAPO's submission, FEI's treatment of O&M expenses has not changed since 2016.⁶ While FEI's actual O&M costs have, of course, changed since 2016, there is no change in the treatment or methodology.
5. **Minimum System Study (MSS):** Three key points in reply:
 - a. FEI's MSS methodology remains the same as that approved in the 2016 COSA Decision.⁷
 - b. The change that BCOAPO refers to is the change between 2016 and 2023 in the costs for steel and plastic pipe, the total length of pipe, as well as the value of the minimum system involving both the 60 mm steel and 60 mm plastic rather than only plastic. These changes reflect actual costs and circumstances, not changes in method.⁸
 - c. The alternatives referred to by BCOAPO are not reasonable. Averaging, weighting, or phasing-in costs are not reasonable options as these approaches would not reflect actual costs. The costs in the MSS reflect the actual replacement cost of pipe and are reflective of the costs that FEI would incur when constructing its system. Therefore, the MSS should reflect the actual cost of pipe at the time of completing the study.
6. **Other Responses:** The "indirect responses" that BCOAPO says require follow up (BCOAPO IR1 2.3.1, 6.8, 6.11, and 8.1) are, in fact, fully responsive and do not warrant follow up:
 - a. BCOAPO IR1 2.3.1 relates to the +/- 5% range of reasonableness which is addressed in point 1 above.
 - b. BCOAPO IR1 6.8 and 8.1 relate to FEI's treatment of biomethane costs. As indicated in these responses, since biomethane costs are not recovered in delivery rates, they are not part of the COSA. This is consistent with the treatment approved in the 2016 COSA Decision.
 - c. BCOAPO IR1 6.11 relates to DSM which is addressed in point 2 above.

Overall, FEI's COSA methodology remains consistent with that approved in the 2016 COSA Decision, and the COSA results do not demonstrate any need to conduct a full rate design. As such, FEI submits that this proceeding should focus on the minor revenue rebalancing that the COSA indicates is required. BCOAPO has not indicated any issues related to the revenue rebalancing options, and as stated above, the other interveners in this proceeding are supportive of moving to final arguments.

In consideration of the detailed examination of the COSA study results and revenue rebalancing options contained in the Application and the over 230 IRs that FEI has responded to in this proceeding, FEI respectfully requests that BCOAPO's request for a second round of IRs be denied and that the proceeding move to the final written arguments phase.

⁶ Exhibit B-4, BCUC IR1 4.1.

⁷ Exhibit B-4, BCUC IR1 9.1.

⁸ Exhibit B-4, BCUC IR1 9.1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

cc (email only): Registered Interveners