



**IN THE MATTER OF**

**FORTISBC ENERGY UTILITIES**

**(comprising FortisBC Energy Inc., FortisBC Energy Inc. Fort Nelson Service Area,  
FortisBC Energy (Whistler) Inc., and FortisBC Energy (Vancouver Island) Inc.)**

**COMMON RATES, AMALGAMATION AND RATE DESIGN APPLICATION**

**DECISION**

**February 25, 2013**

**Before:**

**A.A. Rhodes, Panel Chair/Commissioner**

**C.A. Brown, Commissioner**

**D.A. Cote, Commissioner**

**L.A. O'Hara, Commissioner**

**R.D. Revel, Commissioner**

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### COMMISSION ORDER G-26-13

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## EXECUTIVE SUMMARY

This is an application by the FortisBC Energy Utilities for the approvals necessary to amalgamate with one another and to implement postage stamp rates across all regions.

The amalgamation proposal is dependent upon a Commission determination that postage stamp rates can be implemented, and amalgamation will not proceed absent such a determination.

Therefore, the Commission Panel considered the issue of postage stamp rates as a first and necessary step.

Based upon its review of the evidence and submissions received, the Panel determined that the FEU proposal to implement postage stamp rates, involving, as it does, substantial rate decreases for customers of FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc. at the expense of FortisBC Energy Inc. customers in the Mainland and Fort Nelson areas is not fair, when viewed against accepted principles of rate design. The Panel therefore concluded that the postage stamp rate proposal would result in rates which would be “unjust, unreasonable, unduly discriminatory or unduly preferential”, contrary to section 59 of the *Utilities Commission Act* and should therefore be denied.

The Commission Panel noted that rates are different among the different utilities but considered that the regional differences support the use of different rate designs which are better suited to the circumstances of the individual utilities.

Given its determination on the issue of postage stamp rates, it was unnecessary for the Panel to consider whether amalgamation would be “beneficial in the public interest” in accordance with section 53 of the *Utilities Commission Act*.

## 1.0 INTRODUCTION

On April 11, 2012, the FortisBC Energy Utilities (composed of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc., and FortisBC (Whistler) Inc.) applied to the British Columbia Utilities Commission (the Commission) for the approvals necessary to amalgamate with one another and with Terasen Gas Holdings Inc., and to implement common or “postage stamp” rates throughout the amalgamated entity’s (combined) service area. The approvals sought are essentially the same as those sought in an earlier application which was filed on November 1, 2011 and subsequently withdrawn.

FortisBC Energy Inc. (FEI) is the largest of the three corporate utilities. It has four service areas: the Lower Mainland, Inland, Columbia, and Fort Nelson. Fort Nelson, while not a separate legal entity, operates as a separate utility and has historically had its own rate base for rate-setting purposes. FEI has approximately 850,000 customers located in over 100 communities in its four service areas. It has approximately 40,000 kilometers of distribution mains and transmission pipelines. The Fort Nelson service area has approximately 2,400 customers. FEI’s three service areas of the Lower Mainland, Inland, and Columbia are collectively referred to as FEI Mainland. (Exhibit B-3, pp. 21-22, 27)

FortisBC Energy (Vancouver Island) Inc. (FEVI) is a smaller utility, serving Vancouver Island and the Sunshine Coast, including Powell River. It has approximately 102,000 customers located in roughly 40 communities and provides service through approximately 6,360 kilometers of pipeline. (Exhibit B-3, p. 40)

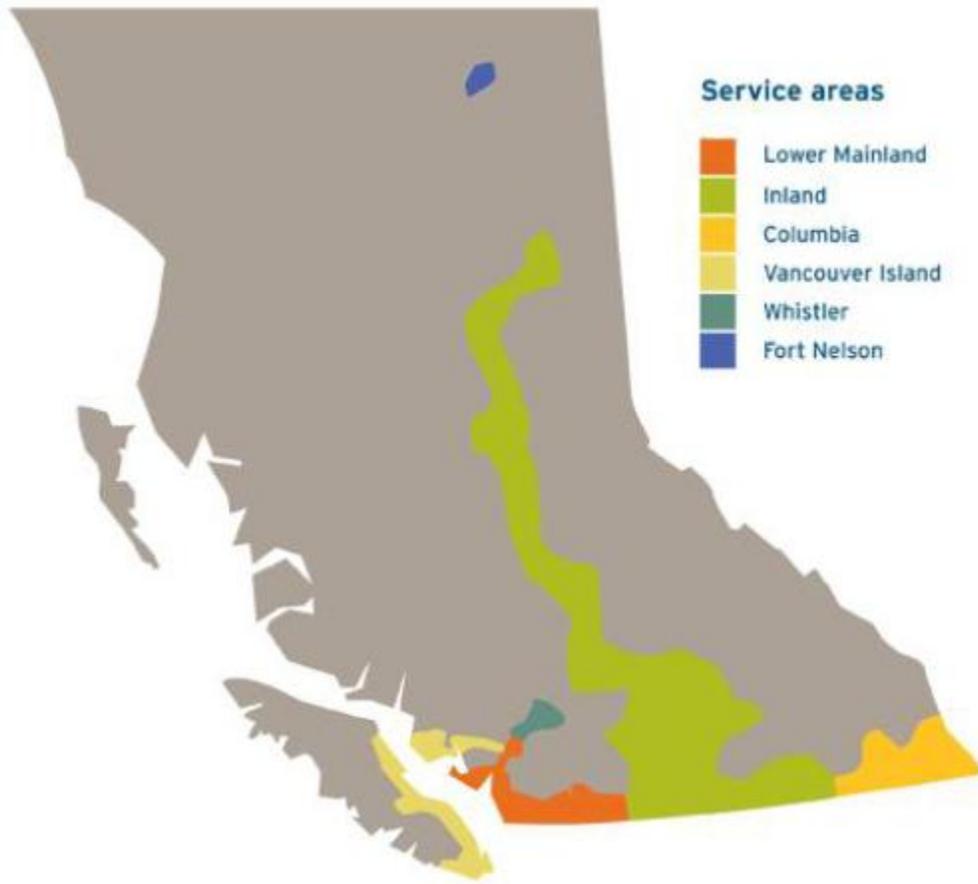
FortisBC Energy (Whistler) Inc. (FEW) is the smallest of the three corporate utilities, with 2,600 customers being served through 139 kilometers of pipeline. (Exhibit B-3, p. 46)

Terasen Gas Holdings Inc. holds approximately 19 percent of the shares of FortisBC Energy Inc. It is not a public utility and has no assets other than its interest in FEI. In the event of amalgamation,

Terasen Gas Holdings Inc. would basically cease to exist and its shares of FEI would be cancelled.  
(Exhibit B-3, p. 9)

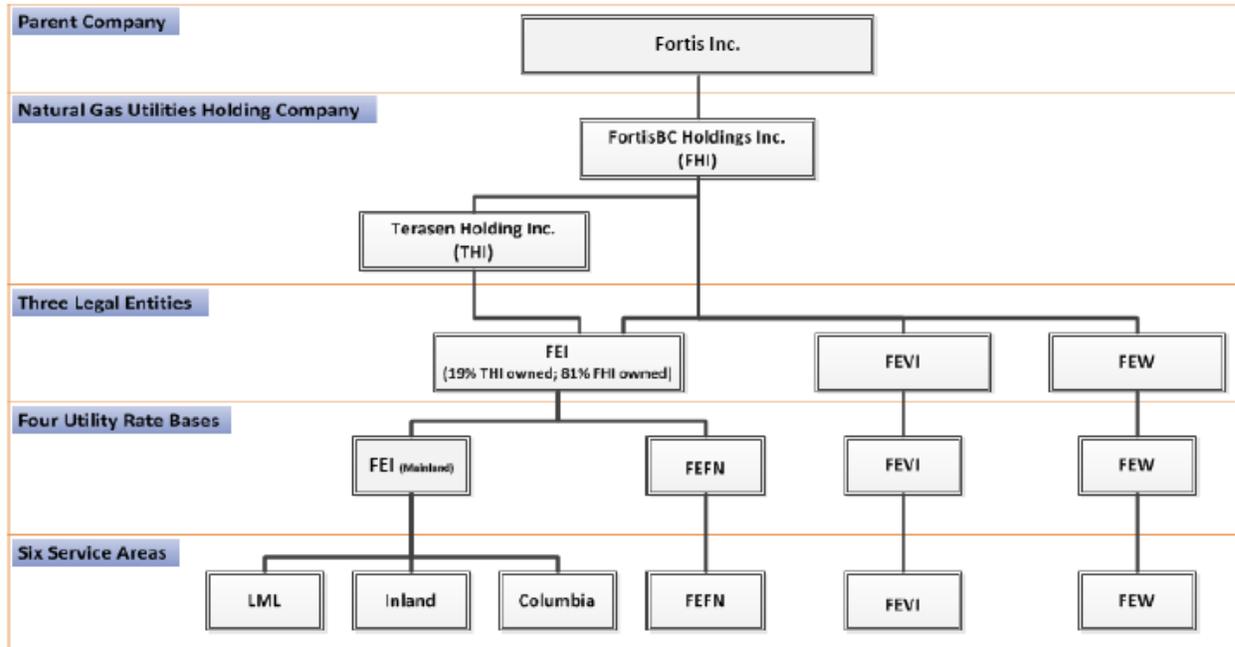
The current corporate structure of the FortisBC Energy Utilities (FEU), i.e. three separate corporate utilities covering six service areas with four operating utilities and four rate bases, and the use of regional rates, are due to the FEU's growth through the acquisition of pre-existing utilities, with maintenance of historical existing rate structures, as put in place by the predecessor utilities.  
(Exhibit B-3, p. 20)

The six FEU service areas are depicted on the map below:



(Source: Exhibit B-3, p. 2)

The corporate structure of the FEU is depicted below:



(Source: Exhibit B-3, p. 22)

The FEU bring this Application to address what they describe as the following issues:

- Rate discrepancies as among the utilities, in particular, the higher rates currently being charged to customers of FEVI and FEW;
- Expected additional rate increases to FEVI customers due to the loss of government subsidies;
- Potential instability of rates for FEFN, FEW and FEVI, due to their smaller, and less diverse customer bases.

(Exhibit B-3, pp. 2-3)

The approvals for amalgamation and common rates sought in the Application are distinct. However, FEU advises that they are, in fact, “closely interrelated” as they “are only pursuing amalgamation in order to implement common [delivery, midstream and commodity] rates.” (Exhibit B-3, pp. 9-10)

## 2.0 PROCEDURE

The Application proceeded by way of a Written Hearing Process. The FEU initially filed material in November of 2011 in support of their proposal to amalgamate and implement postage stamp rates. This material was subsequently withdrawn.

The Application which is the subject of this Decision was filed on April 11, 2012. By Order G-46-12, the Commission established a preliminary Regulatory Timetable, which was updated by Orders G-83-12 and G-106-12.

Thirteen parties registered as Interveners.

Evidence and commentary were submitted by the Rental Owners and Managers Society of BC (ROMS BC), the Fort Nelson and District Chamber of Commerce (FNDCC), the Association of Vancouver Island and Coastal Communities (AVICC) and Randolph Robinson.

Twenty-four parties registered as “Interested Parties” and one hundred and sixty-one Letters of Comment were received.

There were two rounds of Information Requests to the FEU and one round of Information Requests on Intervener Evidence. The FEU filed Rebuttal Evidence on September 7, 2012.

Written submissions were received from the FEU, ROMS BC, FNDCC, the BC Residential Utility Customers Association (BCRUCA), the British Columbia Pensioners’ and Seniors’ Organization (BCPSO), Randolph Robinson, and the Commercial Energy Consumers of British Columbia (CEC). The FEU Reply Submission was received on October 12, 2012, marking the conclusion of the proceeding.

### 3.0 LEGISLATIVE REQUIREMENTS

The approvals necessary for the FEU to amalgamate with one another and with Terasen Gas Holdings Inc. are sought pursuant to s. 53 of the *Utilities Commission Act*, RSBC 1996, c. 473 (*Act*). Section 53 prohibits a public utility from amalgamating with another person

- “(a) unless the Lieutenant Governor in Council
- (i) has first received from the commission a report under this section including an opinion that the consolidation, amalgamation or merger would be beneficial in the public interest, and
  - (ii) has, by order, consented to the consolidation, amalgamation or merger, and
- (b) except in accordance with an order made under paragraph (a).”

By subsection 53(3), a public utility seeking to amalgamate with another person is required to apply to the Commission for the consent of the Lieutenant Governor. The Commission must then “inquire into the application” and may hold a hearing for that purpose. (ss. 53(4)) Once the Commission has concluded its inquiry, it must either:

- “(a) if it is of the opinion that the ...amalgamation...would be beneficial in the public interest, submit its report and findings to the Lieutenant Governor in Council, or
- (b) dismiss the application.” (ss. 53(5))

The approvals necessary to implement postage stamp rates for the amalgamated entity are sought pursuant to sections 59 through 61 of the *Act*. Those sections provide for the setting of rates for a public utility which are not unjust or unreasonable or otherwise unduly discriminatory or preferential.

#### **4.0 COMMISSION PANEL APPROACH**

Given that the FEU's rationale for amalgamation "is entirely dependent on the adoption of postage stamp rates" and its view that "the primary benefit of amalgamation is that it facilitates implementation of postage stamp rates," the Commission Panel will first consider whether it supports the use of postage stamp rates across all (or some) of the regions served by the FEU. (Exhibit B-3, p. 10; FEU Final Submission p. 10)

As the FEU have indicated that they will not pursue amalgamation unless postage stamp rates are approved for, what the Panel understands to be at a minimum, FEVI and FEI, the Panel will confine its analysis to scenarios under which the FEU propose to proceed with amalgamation. (FEU Final Submission, p. 72)

## 5.0 HISTORY AND CHARACTERISTICS OF FEVI, FEW AND FEFN

### 5.1 FEVI

FEVI is a relatively new utility which serves Vancouver Island and the Sunshine Coast. FEVI, as it is now known, was purchased by BC Gas Inc. (BC Gas) from Centra Gas British Columbia Inc. (Centra Gas) in 2002. In 2003, BC Gas changed its name and the name of its related corporate entities, including a change from Centra Gas to Terasen Gas (Vancouver Island) Inc. Terasen Gas Inc. was subsequently purchased by Kinder Morgan Inc., and then sold to Fortis Inc., in 2007. Terasen Gas (Vancouver Island) Inc. changed its name to FortisBC Energy (Vancouver Island) Inc. in March, 2011. (Exhibit B-3, pp. 37-38, 43)

FEVI came into being as a result of the Vancouver Island Gas Pipeline Project, which was initiated in 1988. Construction was completed in 1991, with financial assistance from both the Federal and Provincial governments. By an agreement known as the “Consolidated Rate Stabilization Agreement” made between the utility at the time and the Province, gas rates were decoupled from the cost to provide natural gas distribution service and instead set at a discount to the price of oil and/or electricity. The Province guaranteed the shortfall between the revenues collected pursuant to the decoupled rates and the cost of service.

In the mid 1990s, a financial restructuring took place and the Consolidated Rate Stabilization Agreement was replaced with the Vancouver Island Natural Gas Pipeline Agreement (VINGPA). A Special Direction was issued to the Commission pursuant to the *Vancouver Island Natural Gas Pipeline Act*, RSBC 1996, c. 474. The Province contributed \$120 million in capital, which resulted in a corresponding reduction to the utility’s rate base, and agreed to provide certain gas royalty revenues to the utility until the end of 2011, based on the wellhead price of natural gas. The utility agreed to repay the “Canada Repayable Contribution” in the amount of \$50 million, and the “British Columbia Repayable Contribution” in the amount of \$25 million.

A special Revenue Deficiency Deferral Account (RDDA) was set up pursuant to the Special Direction, to accumulate shortfalls between the revenues received from customers and the cost of service in the early years. Commencing in 2003, rates were to be set to recover not only the cost of service, but the balance in the RDDA, in the shortest time period reasonably possible. The balance in the RDDA was close to \$90 million in 2002.

Rates for 2003 *et seq.* were therefore designed to include a premium above the cost of service to be used to reduce the balance in the RDDA.

The RDDA balance was reduced to zero by the end of 2009, which was earlier than had been anticipated. Rates were then frozen, remaining above the actual cost of service for core market customers, in order to build a cushion to offset the effect of the discontinuance of royalty revenues from the Province at the end of 2011. (Royalty revenues from the Province were the equivalent of \$1.22/GJ of total sales volumes for FEVI or an estimated \$17 million in 2011 – Exhibit B-9, BCUC IR 1.50.5; Exhibit B-3, p. 73, FN 98) The surplus was collected in the Rate Stabilization Deferral Account (RSDA). The RSDA balance is forecast to be approximately \$68 million after tax, (\$90.3 million before tax) in 2013. (Exhibit B-3, pp. 37-40)

In the event that amalgamation proceeds, the FEU propose to pay out the balance in the RSDA to current FEI Mainland non-bypass customers, (with an allocation to FEFN) over a three year period, to alleviate the rate increase for those customers, which would otherwise take effect immediately as a result of the implementation of postage stamp rates. (Exhibit B-3, pp. 168-169, FEU Final Submission, p. 44)

The FEU advise that the payment of the Canada and British Columbia Repayable Contributions (totalling \$75 million) and the cessation of the royalty payments from the Province to FEVI are two of the drivers for this Application. (Exhibit B-3, p. 39)

FEVI expect to have fully repaid the Canada Repayable Contribution of \$50 million by the end of 2013, and will then commence paying off the \$25 million British Columbia Repayable Contribution

in two annual installments of \$10 million, with a final \$5 million payment in year 3. (Exhibit B-9, BCUC IR 1.20.1)

## **5.2 FEW**

The Whistler distribution system was originally a piped propane system, which was constructed in 1980 and owned and operated by the Resort Municipality of Whistler. It changed hands a number of times, finally being acquired by Fortis Inc. from Kinder Morgan Inc. in 2007, as part of its purchase of Terasen Inc. The system was converted from propane to natural gas in 2009. (Exhibit B-3, pp. 45-46)

The Whistler utility is relatively new. Its cost profile is unique in that it is largely driven by recovery of the Whistler pipeline and conversion costs. The FEU advise that the FEW has a small, seasonal customer base (approximately 70 percent of residential dwellings are not occupied year round) and is largely dependent on the tourism industry, such that its gas usage pattern is cyclical. (Exhibit B-3, pp. 47, 49-50, 232)

## **5.3 FEFN**

As noted earlier, Fort Nelson operates as a separate utility, although it is legally part of the FEI corporate entity. Fort Nelson Gas Inc. was acquired by Inland Natural Gas Co. Ltd. (Inland) in 1985. It became part of BC Gas Inc., which was created in 1989 to amalgamate the Lower Mainland Gas Division of BC Hydro (which was purchased by Inland the year before) with Inland, Columbia Natural Gas (purchased by Inland in 1977) and Fort Nelson Natural Gas Inc. (Exhibit B-3, p. 23) Fort Nelson obtains natural gas by way of a transmission lateral from a nearby processing plant owned by Westcoast Energy Inc. It represents the smallest of the six service areas, in terms of both sales volumes and number of customers. (Exhibit B-3, pp. 26-27)

## 6.0 ISSUES PROPOSED TO BE ADDRESSED THROUGH POSTAGE STAMP RATES

As noted above, the FEU have identified three issues which they submit will be resolved if the Application for amalgamation and implementation of postage stamp rates across all service areas is approved. The Commission Panel will first examine these issues generally, in terms of the problem, and then in relation to the proposed solution.

### 6.1 Rate Discrepancies

The first issue relates to the current rate discrepancies that exist across the various utilities that make up the FEU, including, in particular, the higher rates paid by customers of FEVI and FEW.

As noted, FEU's growth through acquisition has resulted in three separate companies with four operating utilities/rate bases. Differences exist in the maturity of the individual utilities, their assets and cost bases, as well as their customer bases. Thus, each utility, although charging postage stamp rates within its own customer classes, can have markedly different rates when compared to the same customer classes in the other utilities which make up the FEU. In particular, FEVI and FEW customers pay higher rates than their counterparts in FEI. The existing residential rate discrepancies for 2013, as proposed for 2013 without postage stamping, can be seen in Table 1, below. (Note, this table assumes 90 GJ annual usage, which is the average residential usage across all utilities comprising the FEU, and not utility-specific.)

**Table 1: 2013 Residential Effective Rates by Utility**

FEI (LM)	FEI (Inland)	FEI (Columbia)	FEVI	FEW	FEFN
\$10.859/GJ	\$10.824/GJ	\$10.868/GJ	\$ 15.725/GJ	\$17.850/GJ	\$7.280/GJ

(Source: Exhibit B-3, Table 4-7, p. 73)

The FEU submit that, with FEVI's revenue deficiency eliminated, and FEW's conversion from propane to natural gas having been accomplished, it is "an opportune time" for the FEU to

amalgamate and implement postage stamp rates. They argue that postage stamp rates reflect “the most widely accepted practice in the utility industry and the rate design approved by the Commission for most utilities in BC.” They note in particular, the electrical utilities, British Columbia Hydro and Power Authority and FortisBC Inc., which have (different) postage stamp rates.

The FEU further argue that these rate discrepancies “will make it more challenging for FEVI and FEW to increase their customer bases and retain existing customers.” (Exhibit B-3, pp. 71-73)

### **Commission Panel Discussion**

By necessary implication, postage stamp rates would eliminate rate disparities among the various utilities. However, in the Panel’s view, assuming utilities are all operating as going concerns, and other things being equal, the existence of rate disparities among different utilities is common and to be expected. As noted by the Commission at page 33 of its Decision *In the Matter of British Columbia Hydro and Power Authority 2007 Rate Design Application Phases II and III* dated December 21, 2007, “[d]iscrimination, when applied to rates for utility service, can only be of an “intra-utility” nature and not “inter-utility.” The status quo in this case, therefore, does not present a problem in terms of the existence of disparate rates.

The argument that rate discrepancies, if not addressed, will create challenges for FEVI and FEW, would appear to be premised on the fact that the rates are higher for those utilities, rather than the existence of the rate disparities in and of themselves.

### **6.2 Expected Rate Increases on Vancouver Island due to Loss of Provincial Government Subsidies**

The FEU argue that the loss of government subsidies, combined with the repayment of the Federal/Provincial repayable contributions make FEVI “particularly challenged.” Although they note that the balance in the RSDA would temporarily alleviate the effect of the loss of the government subsidies, they suggest that once that fund is fully depleted, FEVI customers will face a

rate increase in the range of 20 percent. The FEU further argue that the higher rates of FEVI (and FEW) will also pose a higher business risk for connecting new customers and keeping the existing ones, as alternative energy sources may have a competitive cost advantage. (FEU Final Submission, p. 42)

### **Commission Panel Discussion**

The Commission Panel notes that FEU's proposed solution to higher rates on Vancouver Island due to the loss of government subsidies has the effect of replacing the government subsidy with a subsidy from the ratepayers of FEI. The Panel will consider this issue in its review of the appropriateness of postage stamp rates in the circumstances of this Application. The Commission Panel further notes that the estimated rate increase in the 20 percent range for FEVI once the RSDA is depleted, includes a number of assumptions, including assumptions relating to the future cost of gas, as well as the magnitude of lost royalty credits, which may or may not be borne out at the end of the day. (See, for example, Exhibit B-9, BCUC IR 1.50.5; 1.50.6; 1.51.1)

### **6.3 Potential Instability of Rates for FEVI, FEW and FEFN Due to Their Smaller and Less Diverse Customer Bases**

The FEU argue that, once the full rate impact of postage stamping has been accounted for, [which is not insignificant], common rates will tend to stabilize rates, particularly for the smaller service areas of FEVI, FEW, and FEFN. This stability will be achieved as a result of broadening the customer base, thereby allowing for more customers to absorb, for example, large, localized capital expenditures, or localized economic difficulties, reducing the potential for rate spikes in the smaller utilities. (FEU Final Submission, p. 38)

### **Commission Panel Discussion**

The Commission Panel acknowledges that a broader customer base, other things being equal, will reduce the likelihood of rate spikes. There are, however, accepted methods of handling potential

rate spikes other than imposing postage stamp rates. The Commission Panel will consider the issue of rate stability in its assessment of the appropriateness of postage stamp rates, and its consideration of rate-setting principles, in the circumstances of this Application.

## 7.0 ANALYSIS OF POSTAGE STAMP RATES

### 7.1 Effect of Postage Stamping Rates Across all Service Territories

The FEU have modelled the effects of postage stamping rates across the amalgamated entity as compared to the status quo.

The impact on rates for each of the utilities, assuming postage stamping is implemented, is set out below. The first column “FEI Amalco” shows the breakdown along with the effective total rate which would apply to each operating utility in the event that the rates of all four operating utilities were postage stamped. This rate can then be compared to the existing effective rates for each of the utilities or regions which are set out in the next columns.

For example, in the case of residential rates, which are shown in Table 2, it can be seen that each of the FEI service areas (other than Fort Nelson) will experience rate increases of slightly more than 5 percent, while the effective rates for FEVI and FEW will drop by approximately 27 percent and 36 percent, respectively, with FEFN’s effective rates increasing by somewhere in the order of 57 percent.

### 7.2 Impact on Rates (No Mitigation Strategies)

**Table 2: 2014 Residential Effective Rates (based on 90 GJ annual consumption)**

	FEI Amalco	FEI			Vancouver Island	Whistler	Fort Nelson
		LM RS1	Inland RS1	Columbia RS1	RGS	SGS-R	GSR 1.1b
<b>Fixed Charge</b>							
Basic Daily Charge	\$ 0.389	\$ 0.389	\$ 0.389	\$ 0.389	\$ 0.345	\$ 0.246	\$ 0.594
<b>Variable Charge</b>							
Delivery	\$ 4.361	\$ 3.881	\$ 3.881	\$ 3.881	\$ 7.872	\$ 11.686	\$ 2.443
Midstream	\$ 1.384	\$ 1.402	\$ 1.367	\$ 1.411	\$ 1.384	\$ 1.107	\$ 0.276
Commodity	\$ 4.108	\$ 3.997	\$ 3.997	\$ 3.997	\$ 5.069	\$ 3.997	\$ 3.920
Energy					\$ 14.325		
<b>Effective Total</b>	\$ 11.432	\$ 10.859	\$ 10.824	\$ 10.868	\$ 15.725	\$ 17.790	\$ 7.280
* Vancouver Island delivery, midstream & commodity charges are proxy breakdowns adding up to the energy charge.							
** Fort Nelson midstream & commodity charges are proxy values adding up to the total cost of gas.							
*** Fort Nelson Delivery Rate reflects the first tier delivery charge, i.e. first 28GJ of consumption/month after the initial 2GJ included in the basic charge.							

(Source: Exhibit B-3, p. 164)

**Table 3: 2014 Small Commercial Effective Rates (based on 250 GJ annual consumption)**

	FEI Amalco	FEI			Vancouver Island				Whistler		Fort Nelson
		LM RS2	Inland RS2	Columbia RS2	AGS	SCS1	SCS2	LCS1	SGS-C	LGS1	GSR 2.1
<b>Fixed Charge</b>											
Basic Daily Charge	\$ 0.816	\$ 0.816	\$ 0.816	\$ 0.816	\$ 1.314	\$ 0.310	\$ 1.102	\$ 2.004	\$ 0.246	\$ 0.246	\$ 1.207
<b>Variable Charge</b>											
Delivery	\$ 3.499	\$ 3.170	\$ 3.170	\$ 3.170	\$ 5.920	\$ 10.487	\$ 10.002	\$ 6.900	\$ 11.686	\$ 11.686	\$ 2.747
Midstream	\$ 1.316	\$ 1.389	\$ 1.354	\$ 1.397	\$ 1.384	\$ 1.384	\$ 1.384	\$ 1.384	\$ 1.107	\$ 1.107	\$ 0.276
Commodity	\$ 4.108	\$ 3.997	\$ 3.997	\$ 3.997	\$ 5.069	\$ 5.069	\$ 5.069	\$ 5.069	\$ 3.997	\$ 3.997	\$ 3.920
Energy					\$ 12.373	\$ 16.940	\$ 16.455	\$ 13.353			
<b>Effective Total</b>	\$ 10.115	\$ 9.748	\$ 9.713	\$ 9.756	\$ 14.293	\$ 17.394	\$ 18.064	\$ 16.281	\$ 17.150	\$ 17.150	\$ 8.039
* Vancouver Island delivery, midstream & commodity charges are proxy breakdowns adding up to the energy charge.											
** Fort Nelson midstream & commodity charges are proxy values adding up to the total cost of gas.											
*** Fort Nelson Delivery Rate reflects the first tier delivery charge, i.e. first 28GJ of consumption/month after the initial 2GJ included in the basic charge.											

(Source: Exhibit B-3, p. 164)

**Table 4: 2014 Large Commercial Effective Rates (based on 2,490 GJ annual consumption)**

	FEI Amalco	FEI			Vancouver Island			Whistler		Fort Nelson	
		LM RS2	Inland RS2	Columbia RS2	AGS	LCS2	LCS3	LGS2	LGS3	GSR 2.1	GSR 2.2
<b>Fixed Charge</b>											
Basic Daily Charge	\$ 4.354	\$ 4.354	\$ 4.354	\$ 4.354	\$ 1.314	\$ 3.214	\$ 6.6205	\$ 0.246	\$ 0.246	\$ 1.207	\$ 1.207
<b>Variable Charge</b>											
Delivery	\$ 2.954	\$ 2.669	\$ 2.669	\$ 2.669	\$ 5.920	\$ 5.858	\$ 5.562	\$ 11.686	\$ 11.686	\$ 2.747	\$ 2.747
Midstream	\$ 1.055	\$ 1.107	\$ 1.078	\$ 1.119	\$ 1.384	\$ 1.384	\$ 1.384	\$ 1.107	\$ 1.107	\$ 0.276	\$ 0.276
Commodity	\$ 4.108	\$ 3.997	\$ 3.997	\$ 3.997	\$ 5.069	\$ 5.069	\$ 5.069	\$ 3.997	\$ 3.997	\$ 3.920	\$ 3.920
Energy					\$ 12.373	\$ 12.311	\$ 12.015				
<b>Effective Total</b>	\$ 8.756	\$ 8.412	\$ 8.383	\$ 8.424	\$ 12.566	\$ 12.782	\$ 12.986	\$ 16.826	\$ 16.826	\$ 7.053	\$ 7.053
* Vancouver Island delivery, midstream & commodity charges are proxy breakdowns adding up to the energy charge.											
** Fort Nelson midstream & commodity charges are proxy values adding up to the total cost of gas.											
*** Fort Nelson Delivery Rate reflects the first tier delivery charge, i.e. first 28GJ of consumption/month after the initial 2GJ included in the basic charge.											

(Source: Exhibit B-3, p. 165)

The impact on customers' bills (burner tip impact) assuming postage stamping is approved with no phase in period, and based on a typical customers' consumption, is set out below:

**Table 5: FEI Lower Mainland Forecast Annual Bill Impact from Postage Stamping**

Amalgamated Rate Schedule	Consumption GJ	Delivery Change %	Annual Change %	Annual Change \$
<b>Sales Customers</b>				
RS1 - Residential	95	9.1%	5.3%	\$ 53.99
RS2 - Small Commercial	300	8.1%	3.8%	\$ 108.54
RS3 - Large Commercial	2800	9.1%	4.3%	\$ 998.49
RS4 - Seasonal	5400	20.7%	6.4%	\$ 2,246.90
RS5 - General Firm	9700	7.6%	4.1%	\$ 3,084.33
RS6 - NGV	2900	9.1%	5.7%	\$ 1,461.71
RS7 - Interruptible	8100	5.4%	3.2%	\$ 1,952.98
<b>Transportation Customers</b>				
RS22 - Large Industrial	467306	14.5%	14.5%	\$ 67,739.29
RS23 - Large Commercial	4100	8.9%	8.9%	\$ 1,193.18
RS25 - General Firm	19086	8.4%	8.4%	\$ 3,691.68
RS27 - Interruptible	53957	9.5%	9.5%	\$ 7,430.86

(Source: Exhibit B-9, BCUC IR 1.93.3)

Tables for the Inland and Columbia regions of FEI have been omitted, as the results are similar in terms of order of magnitude.

**Table 6: FEVI Forecast Annual Bill Impact from Postage Stamping**

Amalgamated Rate Schedule	Original Rate Schedule	Consumption GJ	Delivery Change %	Annual Change %	Annual Change \$
<b>Sales Customers</b>					
RS1 - Residential	RGS	58.6	-32.6%	-25.2%	\$ (243.61)
RS2 - Small Commercial	AGS	780	-41.0%	-28.1%	\$ (2,841.88)
	SCS1	80	-39.6%	-30.9%	\$ (455.89)
	SCS2	313	-60.8%	-44.1%	\$ (2,446.34)
	LCS1	930	-50.7%	-34.4%	\$ (4,515.93)
RS3 - Large Commercial	AGS	3990	-44.9%	-31.5%	\$ (15,709.19)
	LCS2	2362	-43.3%	-31.1%	\$ (9,393.51)
	LCS3	17694	-47.0%	-32.1%	\$ (69,080.64)
	HLF	14025	23.7%	-7.2%	\$ (8,974.79)
	ILF	10183	-21.9%	-20.0%	\$ (21,158.63)

(Source: Exhibit B-9, BCUC IR 1.93.3)

The FEVI rate structure includes a bundled Energy Charge but for comparison purposes, a proxy delivery charge has been calculated.

**Table 7: FEW Forecast Annual Bill Impact from Postage Stamping**

Amalgamated Rate Schedule	Original Rate Schedule	Consumption GJ	Delivery Change %	Annual Change %	Annual Change \$
<b>Sales Customers</b>					
RS1 - Residential	Residential	90	-55.2%	-37.6%	\$ (621.17)
RS2 - Small Commercial	Commercial	260	-63.2%	-43.0%	\$ (1,978.83)
	LCS1	1060	-69.5%	-47.1%	\$ (8,707.80)
RS3 - Large Commercial	LCS2	2810	-71.5%	-49.9%	\$ (24,397.83)
	LCS3	6200	-73.9%	-51.6%	\$ (55,641.41)

(Source: Exhibit B-9, BCUC IR 1.93.3)

**Table 8: FEFN Forecast Annual Bill Impact from Postage Stamping**

Amalgamated Rate Schedule	Original Rate Schedule	Consumption GJ	Delivery Change %	Annual Change %	Annual Change \$
<b>Sales Customers</b>					
RS1 - Residential	Rate 1	140	88.1%	54.9%	\$541.57
RS2 - Small Commercial	Rate 2.1	460	23.7%	27.7%	\$ 958.12
RS3 - Large Commercial	Rate 2.1	2624	24.4%	24.6%	\$ 4,532.10
	Rate 2.2	3100	21.8%	23.5%	\$ 5,115.49
	Rate 25	6890	17.7%	210.1%	\$ 38,848.34

(Source: Exhibit B-9, BCUC IR 1.93.3)

As can be seen from the tables above, postage stamping will increase both rates and bills for FEI and FEFN customers, while significantly decreasing both rates and bills for FEVI and FEW customers.

### 7.3 Effect of Postage Stamping Vancouver Island and FEI Utilities Only

If only FEVI and FEI rates were postage-stamped, the results are similar, as FEW and FEFN are relatively small utilities, and, as such, do not factor materially into the analysis. Table 9 below, shows the bill impact for FEI Mainland and FEVI residential customers, assuming postage stamping with no phase in of those two operating utilities. As shown, postage stamping FEI and FEVI will result in an increase to both rates and bills for FEI customers (not including Fort Nelson), while significantly reducing both rates and bills for customers of FEVI.

**Table 9: Forecast Annual Residential Bill Impact from Postage Stamping FEI and FEVI Only**

Service Area	Annual Consumption	Annual Bill Based on 2013 RRA Rates	Annual Bill Based on Postage Stamping of FEI, FEVI, & FEW	Annual Bill Impact (\$)	Annual Bill Impact (%)
FEI - Lower Mainland	95	\$1,027.97	\$1,078.85	\$50.88	4.9%
FEI - Inland	75	\$838.84	\$881.64	\$42.80	5.1%
FEI - Columbia	80	\$888.80	\$930.94	\$42.14	4.7%
FEVI	59	\$965.45	\$719.92	-\$245.53	-25.4%

(Source: Exhibit B-15, BCUC IR 2.39.6.1)

### 7.4 Criteria for Acceptance of Postage Stamp Rates

The FEU submit that postage stamp rates are the predominant rate design in British Columbia, and that the use of postage stamp rates is supported by government policy as well as “the weight of Canadian regulatory authority.” (FEU Final Submission, p. 12) The FEU also contend that the use of postage stamp rates is consistent with accepted ratemaking principles, as identified by Dr. Bonbright *et al.* in the seminal work “Principles of Public Utility Rates” 2<sup>nd</sup> edition 1988 Public Utilities Reports, Inc., Arlington Virginia. (FEU Final Submission, p. 27)

In its Reasons for Decision on the *British Columbia Hydro and Power Authority Residential Inclining Block Re-Pricing Application* (attached as Appendix A to Order G-45-11 dated March 14, 2011), the Commission stated:

“[i]n any rate design application review, including the 2008 Residential Inclining Block Decision, the Commission is guided by the eight “Bonbright Principles” which can be described as follows:

“Principle 1: Recovery of the revenue requirement;

Principle 2: Fair apportionment of costs among customers (appropriate cost recovery should be reflected in rates);

Principle 3: Price signals that encourage efficient use and discourage inefficient use (consideration of social issues including environmental and energy policy);

Principle 4: Customer understanding and acceptance;

Principle 5: Practical and cost-effective to implement (sustainable and meet long-term objectives);

Principle 6: Rate stability (customer rate impact should be managed);

Principle 7: Revenue stability; and

Principle 8: Avoidance of undue discrimination (interclass equity must be enhanced and maintained).”

(Source: James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press, 1961)

Although there are a number of Bonbright-based principles, in the Panel’s view, some are more relevant than others to the circumstances of this Application, and some may also be more important than others and therefore deserving of more weight.

#### 7.4.1 Bonbright Analysis

##### 7.4.1.1 Recovery of the Revenue Requirement

Recovery of the revenue requirement is a “primary objective” of ratemaking policy. (Bonbright *et al.* *Principles of Public Utility Rates*, 2<sup>nd</sup> edition, Public Utilities Reports, Inc. Arlington, Virginia, 1988, (Bonbright *et al.*) pp. 384-385)

## Commission Panel Discussion

There is no issue regarding recovery of the FEU's cost of service. The existing regional rate structure recovers the cost of service, as would the proposed postage stamp rates.

### 7.4.1.2 Fairness

Bonbright *et al.* consider "fairness to ratepayers" to be a "primary criterion" for a sound rate structure. (Bonbright *et al.*, 1988, p. 385)

The FEU argue that "the main principle behind common rates is one of fairness amongst all the FEU's customers." (Exhibit B-3, p. 4) They agree, however, that the "principle of fairness in rate design is that costs should be recovered based on cost causation." The FEU submit that their proposed rate design accomplishes this objective as "it ensures that the revenues to be recovered from each rate class are aligned with the cost to serve them." (FEU Final Submission, p. 28)

The FEU further agree that "alignment with cost causation principles is one evaluation criteria in evaluating the Companies' postage stamp rate proposals" but take the position that cost causation must be balanced with other rate design principles. The FEU further argue that costs can vary significantly within a postage stamped area, as they do within existing service areas, but that this should not preclude combining costs and "setting postage stamp rates for the benefit and fairness to all customers in the amalgamated service area." (Exhibit B-9, BCUC 1.10.3)

It is agreed, however, that the existing rates in place for the separate entities and regions for which postage stamp rates are being proposed are fair, just and reasonable, and not unduly discriminatory. (Exhibit B-7, CEC IR 1.2.1)

Bonbright *et al.* note:

“[a]s to the issue of fairness, a cost-price standard, especially one that reflects both private and social costs (and benefits) to the cost causer, probably enjoys more wide-spread acceptance than any other standard, except for the even more popular tendency to identify whatever is fair with whatever is in one’s self-interest.” (FEFN Final Submission, p. 28; Bonbright *et al.*, Principles of Public Utility Rates, 2<sup>nd</sup> edition, 1988, p. 390)

The BCPSO submits that “the fairest system would be one that accurately correlates the cost of serving each individual customer with the rate charged to that customer” but note that such a rate structure is not feasible. The BCPSO also notes, however, that with “an ideal system, the fine-grained correlation between cost of service and rate charged could also be adjusted to achieve desirable policy objectives, such as encouraging the development of a particular industry ...” (BCPSO Final Submission, p. 3)

The CEC agrees that cost causation principles are important to rate design. It proposes a modified rate design, where postage stamp rates are implemented for basic service, commodity and delivery charges, but regional cost-based rates are left in place for midstream charges – which charges primarily relate to third party costs incurred for transmission and storage of natural gas. (CEC Final Submission, p. 6)

The FEU do not agree that regional midstream rates are appropriate. They argue that the only real beneficiary of regional midstream rates would be FEFN, which would avoid an approximate 20 percent increase in rates to its residential customers. (FEU Reply Submission, p. 3) The FEU further argue that postage stamped midstream rates more appropriately reflect benefits that FEFN customers already enjoy by being part of the overall FEI portfolio and contracting activities. (FEU Final Submission, p. 69) The FEU submit that the rate impacts for Fort Nelson can be addressed through a 15 year phase-in period. (FEU Final Submission, p. 70)

Randolph Robinson expresses the view that “fairness” is subjective. He notes that “[t]he changes [sic] that this application would bring about is an increase in rates to classes of customers who will

not receive any new service or commodity in exchange for the increase in their rates.” He therefore argues that the change to postage stamp rates would result, at least to some degree, in cross subsidization among common rate classes and that this subsidization is not consistent with the notion of fairness. (Randolph Robinson Final Submission, p. 4)

Other Interveners have supported postage stamp rates as being “equitable.” (BCRUCA Final Submission, p. 1; ROMS BC Final Submission, p. 2)

### **Commission Panel Discussion**

The Commission Panel is of the view that fairness is critical to a sound rate design and finds that cost causation is basic to fairness. As cross subsidization tends to move away from cost causation, significant cross subsidization may therefore be considered to be unfair and to be avoided, when practical to do so. The Panel notes that the existing rates in each region, as approved by the Commission, are, by necessary implication, fair, just and reasonable, and non-discriminatory. The Panel finds that the significant rate reductions proposed for FEVI and FEW at the expense of rate increases for FEI and FEFN highlight the significant degree of cross subsidization which is being proposed through the use of postage stamp rates. The Panel is not inclined, in the absence of a compelling reason, to deviate from the cost causation principle.

The Commission Panel also agrees with the BCPSO and others, including FEU’s expert, EES Consulting Ltd., that rates based on perfect cost causation, where each customer would pay the actual costs attributable to his or her particular circumstance, although perfectly fair, are neither practical nor feasible to achieve. However, the Panel does not agree that the extreme case example supports a movement further away from the status quo, where the regional postage stamp rates are based on cost causation.

The Panel is not persuaded that locational differences within the current existing regions support the conclusion that postage stamp rates across all regions are fairer, and further notes that postage stamp rates would result in additional loss of granularity beyond the rates already in place. The

Panel finds that there are significant differences among the existing separate regions in terms of customers, cost structure, use rates, age and type of infrastructure, climate, growth patterns, availability of alternative energy sources, etc.

For example, the table below sets out the 2013 forecast for: sales, customers, average annual use and rate base per customer, by existing utility/region.

**Table 10: 2013 Forecasts by Existing Utility/Region**

	FEI	FEFN	FEVI	FEW
Sales (TJ)	207,000	640	34,255	710
Customers	860,000	2,400	106,500	2,670
Average Annual Use (GJ)	90	140	47	106
Rate Base/Customer	\$3,270	\$3,810	\$7,670	\$15,730

(Source: Exhibit B-3, pp. 31, 36, 43, 49)

Table 11 below compares the growth rates of FEI/FEVI/FEW/FEFN for 2013.

**Table 11: 2013 Forecast Growth Rates by Utility**

F2013	FEI	FEVI	FEW	FEFN
Growth Rate in Customers	0.8%	2.5%	0.7%	0.9%
Growth Rate in Throughput	0.2%	0.4%	-1.0%	1.4%
Growth Rate in Rate Base	2.1%	3.5%	-1.7%	25%

(Source: Exhibit B-9, BCUC IR 1.147.1)

The Commission Panel further does not agree that regional rate differences are simply anachronistic, due to the FEU's growth through acquisition of existing utilities. The Commission Panel views the creation of separate, regional utilities as a consequence of the natural monopoly characteristics which underlie the very existence of different public utilities. In this regard, the Panel finds certain characteristics which tend to be somewhat unique to Vancouver Island, such as the low consumption rate as well as the ongoing use of alternative high carbon heating fuels

(allowing the promotion of natural gas furnaces in that jurisdiction) are more readily addressed through a region-specific customized rate design and use of incentives which are arguably not appropriate for the other regions.

**The Panel therefore finds that FEU’s proposal to implement postage stamp rates across all regions results in a significant deviation from the cost causation principle and is not fair, as compared to the status quo.**

#### 7.4.1.3 Efficiency

The FEU offer the definition of economic efficiency as “a state in which resources are optimally allocated to customers so as to minimize waste and inefficiencies.” The FEU argue that, because the proposed postage stamp rate design is based on FEI’s current rate design, which is efficient, the proposed rate design is therefore also consistent with the economic efficiency principle. The FEU further argue that the proposed postage stamp rates are actually more efficient than the existing regional rates in that FEI’s rate design will increase the fixed basic charge in FEVI, FEW, and FEFN, which will increase the recovery of fixed costs from the basic charge in those service areas, and, as well, eliminate the declining block structure currently in place in Fort Nelson, providing those customers with energy conservation pricing signals. (FEU Final Submission, pp. 49-50)

#### **Commission Panel Discussion**

The Commission Panel accepts that the FEI rate design may provide some efficiency advantages over the rate structures currently in place in the other utilities. However, in the Panel’s view, the efficiency advantages do not flow from the notion of postage stamp rates. Rather, the Panel finds that efficiency can be better improved through customized rate designs, in those regions where efficiency issues exist, than through the “one size fits all” postage stamping proposal. The Panel further notes that postage stamp rates across the entire region are not a necessary precondition to a rate design change. For example, FEVI, with its low consumption and increasing customer base,

might well benefit from a rate design which includes a larger basic charge than would other utilities.

In fact, the FEU advise that if postage stamp rates are not approved, they may consider non-traditional rate designs for FEVI and FEW. They also note FEVI's view that the benefits which may be realized from a combined gas portfolio would not outweigh the impacts of reduced flexibility for it to manage its own gas portfolios and related price risk management strategies that take into account its unique circumstances. (Exhibit B-9, BCUC IR 1.87.1; 1.46.1.1)

#### 7.4.1.4 Customer Understanding and Acceptance

The FEU take the position that “[u]niform prices and a reduced number of rate classes and billing determinants (i.e. geographic location) will provide a simpler rate structure that is easier to explain, understand, and implement in terms of administration, information requirements and billing procedures”. The FEU describe these results as “practical attributes” which benefit customers. They are not being relied upon as a driver for common rates. (Exhibit B-3, p. 4)

Further, the FEU do not point to the differences in gas rates among its different companies as resulting in a reduced level of customer service. (Exhibit B-9, BCUC IR 1.83.1)

#### **Commission Panel Discussion**

The Commission Panel considers Bonbright's awareness of the “popular tendency to identify whatever is fair with whatever is in one's self-interest” cited above as being particularly apt in the circumstances of this Application. Numerous Letters of Comment were received from various parties. In general, customers of FEVI and FEW understandably support and accept the proposal for postage stamping across all regions, as this new rate design will serve to reduce their rates and bills, whereas customers of FEI, and particularly those of Fort Nelson, are understandably opposed, as the rate and bill reductions for the former group are funded by rate and bill increases from the latter. The FEU acknowledge this as well, suggesting that “[r]ate design choices inevitably lead to

different impacts to different customer groups, and each customer group will tend to prefer options where they believe they are getting a benefit regardless of other factors.” The FEU also argue that “consideration of customer preferences may be of limited value since customers generally do not prefer bill increases...” (Exhibit B-15, BCUC IR 2.44.1, 2.44.2)

The Commission Panel notes that the vast majority of FEU customers will be facing rate and bill increases under the postage stamp rate proposal, which may indicate reduced, rather than improved, customer acceptance.

Further, given the regional differences that have been identified, the Commission Panel is not convinced that postage stamp rates will enable better customer understanding. The Commission Panel notes the assurances given by Fortis Inc. (Fortis) at the time of its acquisition of the shares of Terasen Inc. – of which Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., and Terasen Gas (Whistler) Inc. were wholly owned subsidiaries - relating to the maintenance of local functions. The Commission specifically noted, in the Reasons for Decision attached as Appendix A to Order G-49-07 approving the purchase, Fortis’ assurance that:

“(h) as with all the utilities which Fortis owns, Fortis intends to operate the Terasen Utilities [defined as Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., Terasen Gas (Whistler) Inc., and Terasen Energy Services Inc. at p.1] on a stand-alone basis. In keeping with its policy and normal practice, Fortis plans to maintain existing head offices and to implement, as soon as is reasonably practical, significant independent, local representation on the boards of the Terasen Utilities...”

This assurance reinforces the significance of the regional differences among the FEU utilities. In the Panel’s view, customer understanding will not be improved, but might actually be reduced, as the effects of regional differences are minimized or lost.

#### 7.4.1.5 Practical and Cost-Effective to Implement

The FEU estimate the costs of amalgamation and introduction of postage stamp rates for the

combined utilities to be in the \$2.0 million range. The costs for the implementation of postage stamp rates relate to operational costs such as employee training and IT system changes. The FEU advise that these costs are “one-time in nature, [and that] any efficiency savings, although not large, will be on-going, and are expected to offset the cost of amalgamation over time.”

(Exhibit B-3, p. 5) The FEU note cost savings resulting from amalgamation as including regulatory and legal efficiencies, interest savings, and audit and rating agency requirements estimated at about \$846,000/year. (Exhibit B-3, pp. 123-4; Exhibit B-9, BCUC IR 1.5.11).

### **Commission Panel Discussion**

The Commission Panel is of the view that postage stamp rates are sufficiently practical and cost-effective to implement so as not to weigh against the proposal. However, maintaining the status quo in terms of regional postage stamp rates is also practical. Potential cost savings, which are modest at best, would appear to flow more from the amalgamation proposal than from postage stamping (i.e. debt financing, reporting costs). (Exhibit B-3, p. 154) The fact that the FEU will not amalgamate in the absence of postage stamping does not transform any potential savings from amalgamation into savings from postage stamping.

#### 7.4.1.6 Rate Stability

Rate stability for FEVI, FEW and FEFN is put forward by the FEU as a “key benefit” of postage stamp rates and one of the drivers for the Application. (FEU Final Submission, p. 38; Exhibit B-3, p. 190) The FEU argue that having one large service territory with a broader customer base will tend to stabilize rate levels, as large capital expenditures or the effects of localized economic woes can be absorbed more readily without generating rate spikes. (FEU Final Submission, p. 38)

ROMS BC supports the FEU, noting in part the reduced impact of major expenditures in smaller service areas, with postage stamp rates covering a broader customer base. (ROMS BC Final Submission, p. 2)

BCRUCA also supports the FEU, submitting, among other things, that amalgamation [and postage stamp rates] can offer mitigation of the risk of large fluctuations in delivery charges. (BCUCRA Final Submission, p. 3)

The BCPSO sees the likelihood of long term rate stability as one of the primary benefits of the proposed amalgamation. It submits that the increased ability to spread costs, including costs due to local disruptions or large infrastructure projects, or, in the case of Vancouver Island, the unique costs associated with the loss of royalty revenues and the depletion of the RSDA, will be of particular benefit to the smaller service areas. (BCPSO Final Submission, p. 3)

The CEC also agrees that postage stamping will provide rate stability, particularly for smaller jurisdictions. (CEC Final Submission, p. 7)

FNDCC takes issue with the notion that postage stamp rates will address potential long term rate instability in that jurisdiction resulting from FEFN's reliance on a smaller and less diverse customer base than FEI Mainland. FNDCC takes the position that rate instability has never been shown to be a problem in the history of FEFN and describes the proposal to include FEFN in the proposed postage stamp rates as "a solution in search of a problem." (FNDCC Final Submission. p. 53)

FNDCC finds it "ironic that in order to address potential rate instability for FEFN going forward, the FEU are proposing a rate increase that acts, in and of itself, to destabilize FEFN's rates", noting that the proposal to implement postage stamp rates would, absent mitigation measures, impose "rate shock" on FEFN's customers. (FNDCC Final Submission, p. 54)

FNDCC notes that FEFN's rate base per customer is significantly lower than that of FEVI and FEW, by factors of 100 percent and 300 percent, respectively, and is also lower than that of FEI Mainland. It further notes that the "concrete example" of a large capital project in its region which was used by the FEU, being the Muskwa River Crossing upgrade, is estimated to increase rates by 13.7 percent, as compared to the approximate 50 percent increase which would result from postage stamp rates. (FNDCC Final Submission, pp. 54-55)

FNDCC also submits that rate instability may have an upside, in that growth may provide benefits in terms of reduced rates, as “[t]hat is the nature of a smaller rate base”. FNDCC prefers to accept the symmetric risk of rate instability rather than contribute to the cost of facilities which it does not use. It argues that this is consistent with the “paramount tolling principle of “user-pay” and that “the resulting [potentially unstable] rates are just and reasonable.” (FNDCC Final Submission, pp. 56-57)

Randolph Robinson supports FNDCC noting that the delivery rate increase for FEFN as a result of the Muskwa River Project is “very small in dollar terms” and “should not have a real impact on Long-term Stability.” (Randolph Robinson Final Submission, p. 5)

The BCPSO also argues that, to the extent that the long term viability of FEVI and FEW as separate entities is in jeopardy, it supports the implementation of common rates as a means to militate against that eventuality. It suggests that any benefits or detriments to the shareholders of the smaller utilities could be addressed through adjusting the allowed Return on Equity. (BCPSO Final Submission, pp. 3-4)

The FEU argue that “FEVI is not currently in a state of financial distress or uneconomic” and submit that, although one objective of the Application is to resolve FEVI’s challenges, the postage stamp rates being proposed “represent sound ratemaking and are just and reasonable.” (FEU Reply Submission, p. 19)

### **Commission Panel Discussion**

It is beyond doubt that stable and predictable rates are to be preferred over unstable, unpredictable, rates, particularly those that fluctuate upwards. As noted by Bonbright *et al.*, one of the attributes of a sound rate structure, which is described by Bonbright *et al.* as a “revenue-related attribute” is:

“Stability and predictability of the rates themselves, with a minimum of unexpected changes seriously adverse to rate-payers and with a sense of historical continuity. (Compare “The best tax is an old tax.”)”

Bonbright *et al.* also describe “stability and predictability of rates” as a “secondary criterion.” (Bonbright *et al.* p. 387)

The issue, in the Panel’s view, is basically: rate stability and predictability are laudable goals, but at what cost? As noted by Bonbright *et al.* “[s]tability, like freedom, is not free.” (Bonbright *et al.* p. 387)

The Panel notes at the outset that natural gas is a commodity and the commodity price fluctuates on the open market. A large portion of the customer’s bill is also determined based on the level of consumption, which also varies. FEU customers’ bills are not without fluctuation at the best of times and postage stamp rates will not affect this pattern.

As noted earlier, the Panel accepts that, other things being equal, a larger customer base would tend to reduce rate instability. However, the issue is the cost of stability rather than the fact of stability itself. Rate stability and predictability can be achieved through any number of means. For example, the use of deferral accounts is a common method used to smooth potential rate fluctuations. Capitalization of the cost of an asset involves expensing the asset over its useful life as opposed to recognizing the entire expenditure when made. Fixed charges, as well, are, by definition, not subject to variation and are a simple matter of rate design.

Therefore, in the Panel’s view, the use of postage stamp rates to achieve rate stability is not the most cost-effective means, deviates significantly from the cost causation principle and is not suitable for addressing the regional differences among the utilities which have been identified. The Panel notes the irony in the case of FEFN, where the imposition of postage stamp rates, absent mitigation measures, (which relate to timing), serves to destabilize rates and cause rate shock.

#### 7.4.1.7 Revenue Stability and Predictability

Bonbright *et al.* describe “revenue stability and predictability, with a minimum of unexpected changes seriously adverse to utility companies” as a “revenue-related attribute,” and a “secondary criterion.” (Bonbright *et al.*, pp. 383, 387) The FEU argue that the proposed (interim) postage stamp rates are sufficient to recover the cost of service. (FEU Final Submission, p. 51)

#### **Commission Panel Discussion**

Bonbright *et al.* include the revenue-related attributes of revenue stability and predictability and stability and predictability of rates together as a secondary criterion for a sound rate structure. (Bonbright *et al.*, pp. 385, 387-388)

The Commission Panel considers this attribute as secondary but related to recovery of the revenue requirement. The status quo and postage stamp rates will both recover the revenue requirement; the significant issue is rather, from which customers? In terms of revenue stability, a rate design with a greater fixed charge component would tend to provide better stability. As noted earlier, different rate designs can be implemented under the status quo, with a better ability to accommodate regional differences.

#### 7.4.1.8 Avoidance of Undue Discrimination

Avoidance of undue discrimination in rate relationships is described by Bonbright *et al.* “so as to be, if possible, compensatory (i.e. subsidy free with no intercustomer burdens).” (Bonbright *et al.*, p. 384) This cost-related attribute, together with the fairness attribute relating to the apportionment of the total cost of service among ratepayers “so as to avoid arbitrariness and capriciousness and to attain equity in three dimensions” together form Bonbright’s third criteria for a sound rate structure “Fairness to Ratepayers.” (Bonbright *et al.*, pp. 383-385)

### **Commission Panel Discussion**

The Commission Panel agrees with the Bonbright analysis and finds that avoidance of undue discrimination is another aspect of fairness. In the Panel's view, and, as discussed under the fairness heading, the significant regional cross subsidization which would result from the imposition of postage stamp rates is tantamount to undue discrimination, in that ratepayers from one area are being asked to subsidize those from another area.

#### 7.4.2 Competitiveness

The FEU submit that “[c]ompetitiveness in rate design refers to designing rates in consideration of other fuel alternatives.” (Exhibit B-3, p. 191) They argue that the postage stamp rates proposed will have little effect on the competitiveness of natural gas for FEI, but will improve competitiveness in the higher rate regions of Vancouver Island and Whistler, helping them to retain customers. (FEU Final Submission, p. 50; Exhibit B-3, p. 114)

However, the FEU have also indicated: “[w]ith respect to the competitiveness of natural gas against electricity as a result of the postage stamp rate proposal and the potential for fuel switching between natural gas and electricity, the FEU do not expect there to be a material change one way or the other”, noting that “there are many determinants that inform customers’ energy choices, not solely the price of competing energy forms...” (Exhibit B-15, BCUC IR 2.51.3.1)

### **Commission Panel Discussion**

The Commission Panel accepts that competitiveness can be a rate design principle, and notes that FEVI's rates were set in the past based on the price of competitive energy sources, with a guarantee from the Province to ensure that the utility recovered its cost of service. The Commission Panel does not accept, however, that competitiveness is a rate design principle of such importance as to outweigh principles related to cost causation and fairness in favour of what the Panel considers to be in this case, a significant and unreasonable degree of cross subsidization of

ratepayers in one region by ratepayers in another region who have the benefit of lower costs and rates.

#### 7.4.3 Mitigation Strategies

The FEU propose strategies to minimize the effect of what would be significant immediate rate increases for FEI Mainland, and particularly FEFN resulting from the implementation of postage stamp rates. These strategies include phasing in the FEFN rate increase over a fifteen year period, using some of the existing balance in the FEVI RSDA (in the amount of approximately \$19 million, including interest) to cover the shortfall in revenue from FEFN. (FEU Final Submission, pp. 43-44; Exhibit B-15, BCUC IR 2.70.2, 2.70.4)

For FEI Mainland, the FEU propose to pay the remaining balance in FEVI's RSDA to those customers by way of a rate rider over a three year period, to lessen the effect of the rate increase which would otherwise result. (Exhibit B-3, p. 155)

#### **Commission Panel Discussion**

In the Panel's view, although the mitigation strategies identified will forestall the rate increases which will be faced by the majority of the FEU's customers as a result of postage stamp rates, these strategies do not affect the issue of whether the resulting rate increases are fair in the first instance. In the Panel's view, they are not.

#### **Commission Panel Determination**

The Commission Panel finds that the postage stamp rate proposal for the utilities making up the FEU is unfair. The Panel finds that the imposition of postage stamp rates will result in significant cross subsidization of the customers of the newer, maturing utilities (FEVI and FEW) by the customers of FEI and FEFN. Such cross subsidization results in a movement away from the current rates underlying the status quo, which rates have been previously determined to be just and

reasonable and not unduly discriminatory, and are based on cost causality.

The Commission Panel has reviewed other rate design principles and criteria and finds that fairness is paramount. The Panel sees no reason to move away from the status quo.

The Panel notes that all reasons given in support of the Application boil down to reducing the higher rates being charged by FEW and FEVI.

The Panel understands and appreciates the input from Interveners and others who seek to reduce rates for FEVI and FEW. A number of parties argued that it would be equitable and would improve competitiveness for businesses in those regions, as compared to FEI Mainland. However, in the Panel's view, there are many long-standing differences among these regions, such as transportation costs and property values that would tend to have a greater impact on business competitiveness. Further, the lower average consumption on Vancouver Island translates into a lower bill impact from a higher rate than is the case with the other utilities.

The Commission Panel is of the view that keeping the regional utilities intact will allow for more flexibility in rate design, which can be used to improve stability.

The Panel also notes the FEU's advice that "[a]lthough Whistler has experienced higher rate base per customer as a result of the pipeline and conversion, customers in Whistler have also experienced significantly lower commodity costs as a result, leading to lower overall annual bills than the previous propane system." (Exhibit B-9, BCUC IR 1.147.2)

In terms of Vancouver Island, the FEU confirm that they have no impaired assets due to competition pressure and do not foresee asset impairment at this time. (Exhibit B-9, BCUC IR 1.59.1)

The high rate base per customer for FEW and FEVI is typical for maturing utilities. For FEVI, this is also due to the higher proportion of transmission and storage assets. (Exhibit B-9, BCUC IR 1.147.2)

As the utilities mature, rate base will be reduced as it is amortized into rates. Further, customer growth will also reduce rate base per customer. In the case of Vancouver Island, FEVI's forecast additions to its customer base, more than make up for the forecast decline in average use per customer, such that, overall, sales of natural gas on Vancouver Island are forecast to increase slightly from 2010 through 2013. (Exhibit B-3, p. 43; Exhibit B-5, p. 16)

## **8.0 STAKEHOLDER ENGAGEMENT**

Given the Commission Panel's Decision, it is not necessary to consider the issue of whether Stakeholder Engagement, particularly for Fort Nelson, which takes issue with it, was reasonable.

## **9.0 AMALGAMATION**

Given the FEU's position that they will not amalgamate without postage stamp rates, it is not necessary for the Panel to consider this issue.

**The FEU's Application for Amalgamation and Postage Stamp Rates is dismissed.**

DATED at the City of Vancouver, in the Province of British Columbia, this 25<sup>th</sup> day of February 2013.

*Original signed by:*

\_\_\_\_\_  
A.A. RHODES  
PANEL CHAIR/COMMISSIONER

*Original signed by:*

\_\_\_\_\_  
C.A. BROWN  
COMMISSIONER

*Original signed by:*

\_\_\_\_\_  
D.A. COTE  
COMMISSIONER

*Original signed by:*

\_\_\_\_\_  
L.A. O' HARA  
COMMISSIONER

*Original signed by:*

\_\_\_\_\_  
R.D. REVEL  
COMMISSIONER



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-26-13**

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, BC V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Application by the FortisBC Energy Utilities  
(comprising FortisBC Energy Inc., FortisBC Energy Inc. Fort Nelson Service Area,  
FortisBC Energy (Whistler) Inc., and FortisBC Energy (Vancouver Island) Inc.)  
for Approval of Common Rates, Amalgamation and Rate Design

**BEFORE:** A.A. Rhodes, Panel Chair/Commissioner  
C.A. Brown, Commissioner  
D.A. Cote, Commissioner February 25, 2013  
L.A. O'Hara, Commissioner  
R.D. Revel, Commissioner

**O R D E R**

**WHEREAS:**

- A. On April 11, 2012, the FortisBC Energy Utilities (FEU or the Companies) filed an Application with the British Columbia Utilities Commission (Commission) seeking, among other things:
- A Commission determination and report pursuant to section 53 of the *Utilities Commission Act (Act)* that the amalgamation of the FEU and Terasen Gas Holdings Inc. into a single entity is beneficial in the public interest;
  - Referral of the Commission report to the Lieutenant Governor in Council in support of an Order for approval to amalgamate effective January 1, 2014; and
  - The necessary approvals pursuant to sections 59 to 61 of the Act to adopt common or "postage stamp" rates for natural gas delivery and gas supply and uniform service offerings across all areas served by the FEU following amalgamation;
- B. The main purpose of the amalgamation application is to allow for the implementation of postage stamp rates across the FEU;
- C. On April 17, 2012, the Commission issued Order G-46-12 establishing a Preliminary Regulatory Timetable for the review of the Application;

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER**            G-26-13

2

- D. A Procedural Conference was held on Friday, June 15, 2012, after which Commission Order G-83-12 was issued to establish a further Regulatory Timetable;
- E. A second Procedural Conference was held August 2, 2012, after which Commission Order G-106-12 was issued to establish a further Regulatory Timetable and a Written Hearing Process;
- F. The Written Hearing Process concluded with the filing of the FEU reply submission on October 12, 2012; and
- G. The Commission has considered the Application, evidence and submissions received.

**NOW THEREFORE** the Commission determines as follows:

1. The Commission denies the Application by the FEU to adopt common rates for natural gas delivery for the reasons set out in the attached Decision.
2. Consequently, the Commission also declines to find that amalgamation of the FEU and Terasen Gas Holdings Inc. is beneficial in the public interest.

**DATED** at the City of Vancouver, In the Province of British Columbia, this    25<sup>th</sup>            day of February 2013.

BY ORDER

*Original signed by:*

A.A. Rhodes  
Panel Chair/Commissioner

## LIST OF ACRONYMS

Act	Utilities Commission Act
AVICC	Association of Vancouver Island and Coastal Communities
BC Gas	BC Gas Inc.
BC Hydro	British Columbia Hydro and Power Authority
BCPSO, BCOAPO	British Columbia Pensioners' and Seniors' Organization, previously the British Columbia Old Age Pensioners' Organization
BCRUCA	BC Residential Utility Customers Association
CEC	Commercial Energy Consumers of British Columbia
Centra Gas	Centra Gas British Columbia Inc.
Commission	British Columbia Utilities Commission
FEFN	Fort Nelson Service Area
FEI	FortisBC Energy Inc.
FEVI	FortisBC Energy (Vancouver Island) Inc.
FEW	FortisBC Energy (Whistler) Inc.
FNDCC	Fort Nelson and District Chamber of Commerce
FortisBC Energy Utilities, FEU	FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC (Whistler) Inc.
GJ	Gigajoule
Inland	Inland Natural Gas Co. Ltd.
RDDA	Revenue Deficiency Deferral Account
ROMS BC	Rental Owners and Managers Society of BC
RSDA	Rate Stabilization Deferral Account
VINGPA	Vancouver Island Natural Gas Pipeline Agreement

**LIST OF REGISTERED INTERVENERS**

- C1-1 Rental Owners and Managers Society of BC
- C2-1 Fort Nelson and District Chamber of Commerce
- C3-1 Northern Rockies Regional Municipality
- C4-1 Commercial Energy Consumers Association of British Columbia
- C5-1 Resort Municipality of Whistler
- C6-1 Vancouver Island Gas Joint Venture
- C7-1 Cascadia Energy Ltd.
- C8-1 British Columbia Pensioners' and Seniors' Organization, previously the British Columbia Old Age Pensioners Organization
- C9-1 The Association of Vancouver Island and Coastal Communities
- C10-1 BC Residential Utility Customers Association
- C11-1 Robinson, Randolph
- C12-1 Grant, George
- C13-1 Blom, Frank

IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

FortisBC Energy Utilities  
[comprised of FortisBC Energy Inc., FortisBC Energy Inc. Fort Nelson Service Area,  
FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.]  
FEU Common Rates, Amalgamation and Rate Design  
Replaces ~ Amalgamation and Rate Design Phase 'A' Application

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated November 4, 2011 - Appointment of Commission Panel
A-2	Letter dated December 19, 2011 – Deferral of further process pending FEU filing additional Evidence
A-3	Letter dated April 17, 2012 – Commission Order G-46-12 establishing a preliminary Regulatory Timetable, Workshop and Procedural Conference
A-4	Letter dated May 7, 2012 – Information Request No. 1 to FEU
A-5	Letter dated June 13, 2012 – Procedural Conference, Friday, June 15, 2012 Agenda
A-6	Letter dated June 18, 2012 – Order G-83-12 Regulatory Timetable
A-7	Letter dated June 27, 2012- Commission Information Request No. 2 to FEU
A-8	Letter dated August 1, 2012 – Procedural Conference Agenda
A-9	Letter dated August 7, 2012 – Order G-106-12 Regulatory Timetable and Reasons for Decision
A-10	Letter dated August 16, 2012 – Commission Information Request No. 1 to Fort Nelson and District Chamber of Commerce
A-11	Letter dated August 16, 2012 – Commission Information Request No. 1 to the Association of Vancouver Island Coastal Communities

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
A-12	Letter dated August 16, 2012 – Commission Information Request No. 1 to Mr. Randolph Robinson
A2-1	Letter dated May 3, 2012 – Commission Staff filing – BC Gas Inc. Revenue Requirement Application Decision dated August 5, 1992
A2-2	Letter dated May 3, 2012 – Commission Staff filing BCUC Order G-101-93, BC Gas Utility Ltd. 1993 Phase B rate Design Application Decision
A2-3	Letter dated May 3, 2012 – Commission Staff filing-BCUC Order G-100-96, Inquiry Report on BC Gas and Propane price Increases in the City of Revelstoke
A2-4	Letter dated May 3, 2012 – Commission Staff filing Extract from Alberta EUB 1996 Decision U96055, Nova Gas Transmission General Rate Application
A2-5	Letter dated May 3, 2012 – Commission Staff filing Extract from Alberta EUB 2000 Decision 2000-6, Nova Gas Transmission Ltd. Products and Pricing (pages 43 to 51)
A2-6	Letter dated May 3, 2012 – Commission Staff filing BC Gas RD Application
A2-7	Letter dated May 3, 2012 – Commission Staff Filing Extract from Ofgem 2010 Decision, RIIO: A new way to regulate energy networks
A2-8	Letter dated May 3, 2012 – Commission Staff Filing New Brunswick EUB 2011 Decision, Enbridge Gas Rates
A2-9	Letter dated May 3, 2012 – Commission Staff Filing Extract from Heritage Gas Ltd. 2011 General Tariff Application
A2-10	Letter dated May 3, 2012 – Commission Staff Filing Extract from Exhibit H-25 to Heritage Gas Ltd 2011 GTA
A2-11	Letter dated May 3, 2012 – Commission Staff Filing 2002 Energy Law Journal Article – The used and useful test
A2-12	Letter dated May 3, 2012 – Commission Staff Filing 1998 Energy Journal Article – The Regulatory Compact
A2-13	Letter dated May 3, 2012 – Commission Staff Filing 1994 Briefing Document – Regulatory Treatment of Embedded Costs Exceeding Market Prices

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
A2-14	Letter dated May 3, 2012 – Commission Staff Filing New Brunswick EUB 2010 Decision, Cost of Capital For Enbridge Gas
A2-15	Letter dated May 3, 2012 – Commission Staff Filing 2011 New Brunswick Court of Appeal Decision, New Brunswick EUB v. Enbridge Gas
A2-16	Letter dated May 4, 2012 – Commission Staff Filing February 3, 2012 FortisBC Energy Inc. – Rate Schedule 16 Pilot Program 2011 Annual Report (Order G-65-09 Compliance Filing)
A2-17	Letter dated May 4, 2012 – Commission Staff Filing March 1, 2012 FortisBC Energy Inc. – 2012 First Quarter Report on the Gas Cost Variance Account (GCVA) and the Rate Stabilization Deferral Account (RSDA)
A2-18	Letter dated May 4, 2012 – Commission Staff Filing April 30, 2012 FortisBC Energy Inc. – Gas Cost Variance Account 2011 Status Report
A2-19	Letter dated May 4, 2012 – Commission Staff Filing November 18, 2011 FortisBC Energy Inc. – 2011 Fourth Quarter Report on the Gas Cost Variance Account (GCVA) and the Rate Stabilization Deferral Account (RSDA)
A2-20	Letter dated May 7, 2012 – Commission Staff Filing NARUC Manual – January 1992
A2-21	Letter dated May 7, 2012 – Commission Staff Filing Minimum System Method
A2-22	Letter dated May 7, 2012 – Commission Staff Filing Mt. Hayes LNG Storage Facility Application
A2-23	Letter dated May 7, 2012 – Commission Staff Filing-TUS 2010 Long Term Resource Plan
A2-24	Letter dated May 7, 2012 – Commission Staff Filing-Order G-139-07 with Reasons Plan
A2-25	Letter dated June 27, 2012 – Commission Staff Filing Commission letter dated June 9, 2004 – TGI – Rates and Costs for the District of Chetwynd
A2-26	Letter dated June 27, 2012 – Commission Staff Filing FEVI 2012 Second Quarter Report on the Gas Cost variance Account and the Rate Stabilization Deferral Account

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
A2-27	Letter dated August 3, 2012 – Commission Staff Filing FEI and FEVI 2011 Year End Report for FEI-FEI Main Extension Report, FEI Vertical Subdivision Report
<i>APPLICANT DOCUMENTS FEU</i>	
B-1	<b>FORTISBC ENERGY UTILITIES (FEU)</b> - Application Withdrawn
B-1-1	<b>CONFIDENTIAL</b> Letter dated November 1, 2011 – FEU Submitting <b>CONFIDENTIAL</b> Appendix to the application
B-2	Letter dated December 6, 2011 – FEU Request to Defer Establishing a Regulatory Process
B-3	Letter dated April 11, 2011 – FEU Submitting Common Rates, Amalgamation and Rate Design Application
B-3-1	Letter dated April 11, 2011 – FEU Submitting Appendices to Common Rates, Amalgamation and Rate Design Application
B-3-2	<b>CONFIDENTIAL</b> Letter dated April 11, 2011 – FEU Submitting <b>CONFIDENTIAL</b> Appendix C-5 to Common Rates, Amalgamation and Rate Design Application
B-4	Letter dated April 25, 2012 – FEU Submitting working Cost of Service Allocation Model
B-5	Letter dated May 1, 2012 - FEU Submitting Workshop List of Attendees and Presentation
B-6	Letter dated May 7, 2012 - FEU Submitting Notice of External Counsel, Christopher Bystrom, Fasken Martineau
B-7	Letter dated June 1, 2012 - FEU Submitting Response to CEC IR No. 1
B-8	Letter dated June 1, 2012 - FEU Submitting Response to BCOAPO IR No. 1
B-9	Letter dated June 1, 2012 - FEU Submitting Response to Commission IR No. 1
B-9-1	Letter dated June 1, 2012 - FEU Submitting ATTACHMENTS for Response to Commission IR No. 1

EXHIBIT NO.	DESCRIPTION
B-9-2	<b>CONFIDENTIAL</b> Letter dated June 1, 2012 - FEU Submitting Response to Commission IR No. 1 CONFIDENTIAL Attachment 71.1.1
B-10	Letter dated June 25, 2012 – FEU Submitting Request for Approval of Amended Terms and Conditions
B-11	Letter dated July 23, 2012 - FEU Submitting Response to BCOAPO IR No.2
B-12	Letter dated July 23, 2012 - FEU Submitting Response to BCRUCA IR No.2
B-13	Letter dated July 23, 2012 - FEU Submitting Response to CEC IR No.2
B-14	Letter dated July 23, 2012 - FEU Submitting Response to Robinson IR No.2
B-14-1	<b>CONFIDENTIAL</b> Letter dated July 23, 2012 - FEU Submitting <b>CONFIDENTIAL</b> Response to Robinson IR No.2
B-15	Letter dated July 23, 2012 - FEU Submitting Response to BCUC IR No.2
B-16	Letter dated August 16, 2012 - Submitting IR No. 1 to RR Evidence
B-17	Letter dated August 24, 2012 - FEU Submitting Errata to the Evidentiary Record
B-18	Letter dated September 7, 2012 - FEU Submitting Rebuttal Evidence

#### *INTERVENER DOCUMENTS*

C1-1	<b>RENTAL OWNERS AND MANAGERS SOCIETY OF BC (ROMSBC)</b> Online Registration dated November 10, 2011 – Request for Intervener Status by Al Kemp
C1-2	Letter dated June 11, 2012 – ROMSBC Submission regarding Procedural Conference
C1-3	Letter dated July 31, 2012 – ROMSBC Submitting Comments
C1-4	Letter Dated August 9, 2012 – ROMSBC Submitting Evidence
C2-1	<b>FORT NELSON &amp; DISTRICT CHAMBER OF COMMERCE (FNDCC)</b> Online Registration dated March 7, 2012 - Request for Intervener Status by Bev Vandersteen
C2-2	Letter dated March 1, 2012 – FNDCC Submitting Comments
C2-2-1	Letter dated March 2, 2012 – FNDCC Submitting Supplemental Comments

EXHIBIT NO.	DESCRIPTION
C2-3	Letter dated July 31, 2012 – FNDCC Filing Evidence
C2-4	Letter dated July 31, 2012 – FNDCC Submitting Letters of Support
C2-5	Letter dated August 27, 2012 – FNDCC Submitting Notice of Counsel
C2-6	Letter Dated August 30, 2012 – FNDCC Submitting Response to BCUC IR No. 1
C3-1	<b>NORTHERN ROCKIES REGIONAL MUNICIPALITY (NRRM)</b> Letter and Online Registration dated April 16, 2012 –Request for Intervener Status by Randy McLean
C4-1	<b>COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC)</b> Letter dated April 24, 2011 – Request for Intervener Status by Christopher Weafer
C4-2	Letter dated May 11, 2012 – Information Request No. 1
C4-3	Letter dated June 28, 2012 – CEC Submitting Information Request No. 2 to FEU
C5-1	<b>RESORT MUNICIPALITY OF WHISTLER (RMW)</b> Online Registration and Letter dated May 1, 2012 - Request for Intervener Status by Ted Battiston
C5-2	Letter dated June 20, 2012 – Letter of support
C6-1	<b>VANCOUVER ISLAND GAS JOINT VENTURE (VIGJV)</b> Online Registration and Letter Dated April 27, 2012 - Request for Intervener Status by Karl Gustafson
C7-1	<b>CASCADIA ENERGY LTD. (CASCADIA)</b> Online Registration and Letter dated May 7, 2012 - Request for Intervener Status by Nick Caumanns
C8-1	<b>BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION (BCOAPO)</b> via Email Letter dated May 14, 2012 – Request for Intervener Status by Leigha Worth
C8-2	Letter dated May 14, 2012 – BCOAPO Information Request No. 1
C8-3	Letter dated June 27, 2012 – BCOAPO Submitting Information Request No. 2 to FEU
C9-1	<b>THE ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES (AVICC)</b> Online Registration Dated June 5, 2012 and Letter dated March 29, 2012 – Request for Intervener Status by Joe Stanhope
C9-1-1	Online Registration Dated June 13, 2012 – AVICC Intervener Online Registration
C9-2	Letter Dated July 30, 2012 – AVICC Filing Evidence

EXHIBIT NO.	DESCRIPTION
C9-3	Letter Dated August 30, 2012 – AVICC Submitting Response to IR No. 1
C10-1	<b>BC RESIDENTIAL UTILITY CUSTOMERS ASSOCIATION (BCRUCA)</b> Online Registration Dated June 11, 2012 – Request for Intervener Status by Guy Leroux, Leroux Regulatory Consulting Ltd.
C10-2	Letter dated June 22, 2012 – BCRUCA Submitting Information Request No. 2 to FEU
C11-1	<b>ROBINSON, RANDOLPH (RR)</b> Online Registration and Letter Dated June 14, 2012 – Request for Intervener Status by Randolph Robinson
C11-2	Letter dated June 27, 2012 – RR Submitting Information Request No. 2 to FEU
C11-3	Letter Dated July 31, 2012 – RR Submitting Confidentiality Undertaking
C11-4	Letter Dated July 31, 2012 – RR Filing Evidence
C11-5	<b>CONFIDENTIAL</b> Letter Dated August 10, 2012 – RR Submitting Confidential Evidence
C11-6	Letter Dated August 30, 2012 – RR Submitting Response to BCUC IR No. 1
C11-6-1	<b>CONFIDENTIAL</b> Letter Dated August 30, 2012 – RR Submitting Confidential Response to BCUC IR No. 1
C12-1	<b>GRANT, GEORGE (GG)</b> Online Registration and Letter Dated June 22, 2012 – Request for Intervener Status by George Grant
C13-1	<b>BLOM, FRANK (FB)</b> Online Registration and Letter Dated July 6, 2012 – Request for Intervener Status by Frank Blom

#### *INTERESTED PARTY DOCUMENTS*

D-1	<b>SENTINEL ENERGY MANAGEMENT (SEM)</b> Online Registration Dated January 24, 2012 - Request for Interested Party Status by Jim Langley
D-2	<b>PEACE RIVER REGIONAL DISTRICT (PRRD)</b> Online Registration Dated January 24, 2012 - Request for Interested Party Status by Fred Banham
D-3	<b>FRIESEN, KEVIN (KF)</b> Online Registration Dated March 14, 2012 - Request for Interested Party Status by Kevin Friesen
D-3-1	Letter received September 4, 2012 – KF Submitting Comments

EXHIBIT NO.	DESCRIPTION
D-4	<b>BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BCH)</b> Online Registration Dated April 24, 2012 - Request for Interested Party Status
D-5	<b>SHELL ENERGY NORTH AMERICA CANADA INC (SHELL)</b> Online Registration and Letter Dated April 26, 2012 - Request for Interested Party Status by Mary McCordic
D-5-1	Letter Dated April 26, 2012 – Shell Comments supporting Interested Party registration
D-6	<b>WITHDRAWN - VANCOUVER ISLAND GAS JOINT VENTURE (VIGJV)</b> Online Registration and Letter Dated April 27, 2012 - Request for Interested Party Status by Karl Gustafson
D-7	<b>ACCESS GAS SERVICES INC. (AGS)</b> Online Registration and Letter Dated May 4, 2012 - Request for Interested Party Status by Thomas Dixon
D-8	<b>KARDEL, FRED</b> Online Registration Dated June 11, 2012 – Request for Interested Party Status
D-8-1	Kardel, Fred – Comment Dated June 8, 2012
D-9	<b>BAKES, DAVE (DB)</b> Letter Dated June 15, 2012 - Request for Interested Party Status by Dave Bakes and Comments on the Application
D-10	<b>LEUSCHEN, ALLAN (AL)</b> Online Registration and Letter Dated June 15, 2012 - Request for Interested Party Status by Allan Leuschen and Comments on the Application
D-11	<b>WORSLEY, DAVE (DW)</b> Letter Dated June 26, 2012 - Request for Interested Party Status by Dave Worsley
D-12	<b>HUGHES, DAVID (DH)</b> Online Registration and Letter Dated June 27, 2012 - Request for Interested Party Status by David Hughes
D-13	<b>BOHNEN, STEVE (SB)</b> Online Registration and Letter Dated June 20, 2012 - Request for Interested Party Status by Steve Bohnen
D-14	<b>FRENCH, ROBERT (RF)</b> Letter Dated June 20, 2012 - Request for Interested Party Status by Robert French
D-15	<b>CHROBOT, LARRY (LC)</b> Online Registration and Letter Dated July 6, 2012 - Request for Interested Party Status by Larry Chrobot
D-15-1	Chrobot, Larry – <b>Confidential</b> Comment Dated June 23, 2012

EXHIBIT NO.	DESCRIPTION
D-16	<b>CALLAGHAN, PHILLIP (PC)</b> Online Registration and Letter Dated July 6, 2012 - Request for Interested Party Status by Phillip Callaghan
D-17	<b>FAST, CHARLES (CF)</b> – Online Registration Dated July 13, 2012 – Request for Interested Party Status by Charles Fast
D-18	<b>HAMILTON, IAN (IH)</b> – Online Registration Dated July 16, 2012 – Request for Interested Party Status by Ian Hamilton
D-19	<b>LINDLEY, BERYL (BL)</b> - Online Registration Dated July 16, 2012 – Request for Interested Party Status by Beryl Lindley
D-20	<b>GLABUSH, PAT</b> -Online Registration Dated July 16, 2012 – Request for Interested Party Status by Pat Glabush
D-21	<b>LARSON, ERIC</b> - Online Registration Dated July 16, 2012 – Request for Interested Party Status by Eric Larson
D-22	<b>TROTTIER, ROBERT</b> Online Registration Dated July 16, 2012 – Request for Interested Party Status by Robert Trottier
D-23	<b>GREATER VICTORIA CHAMBER OF COMMERCE (GVCC)</b> Online Registration Letter Dated July 26, 2012 – Request for Interested Party Status by Sasha Angus
D-23-1	Letter Dated August 16, 2012 – Submitting Comments
D-24	<b>GAIRNS, CHARLES (CG)</b> Letter Dated July 26, 2012 and Online Registration– Request for Interested Party Status by Charles Gairns

#### *LETTERS OF COMMENT*

E-1	Olive, Ken - Letter of Comment dated November 1, 2011
E-2	Town of Ladysmith - Letter of Comment dated June 6, 2012
E-3	City of Nanaimo - Letter of Comment dated June 6, 2012
E-4	See Exhibit D-8-1
E-5	District of Saanich – Letter of Comment dated June 7, 2012
E-6	City of Port Alberni – Letter of Comment dated June 12, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-7	Sunshine Coast Regional District Board – Letter of Comment dated June 12, 2012
E-8	City of Campbell River – Letter of Comment dated June 15, 2012
E-9	Todd, Harold – Letter of Comment dated June 20, 2012
E-10	Town of Comox - Letter of Comment dated June 21, 2012
E-11	Biedermann, Paul – Letter of Comment dated June 24, 2012
E-12	Alberni-Clayoquot Regional District – Letter of Comment dated June 25, 2012
E-13	District of Central Saanich – Letter of Comment dated June 26, 2012
E-14	Ganderton, Vera – Letter of Comment dated June 26, 2012
E-15	District of Lantzville – Letter of Comment dated June 26, 2012
E-16	Eisner, Norm – Letter of Comment dated July 8, 2012
E-17	Moran, Alan – Letter of Comment dated July 11, 2012
E-18	Regional District of Nanaimo (RDN) – Letter of Comment dated July 11, 2012
E-19	The Corporation of the District of Oak Bay – Letter of Comment dated July 10, 2012
E-20	Warren, Janet – Letter of Comment dated June 20, 2012
E-21	Miller, Dennis – Letter of Comment dated June 29, 2012
E-22	Clay, Jeff – Letter of Comment dated June 27, 2012
E-23	Cornerstone Properties Ltd. – Letter of Comment dated July 17, 2012
E-24	O’Dell, Eric – Letter of Comment dated July 16, 2012
E-25	Ikebe, Junko – Letter of Comment dated June 28, 2012
E-26	Paulson, S.G. – Letter of Comment dated June 28, 2012
E-27	Peel, T - Letter of Comment dated April 28, 2012
E-28	Blodgett, M – Letter of Comment dated June 30, 2012
E-29	Edwards, R – Letter of Comment dated July 11, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-30	Mowbray, K – Letter of Comment dated July 12, 2012
E-31	Doyle, M – Letter of Comment dated July 17, 2012
E-32	Lungle, K – Letter of Comment dated July 17, 2012
E-33	Allen, R – Letter of Comment dated July 18, 2012
E-34	Peterson, M – Letter of Comment dated July 18, 2012
E-35	Brown, H – Letter of Comment dated July 18, 2012
E-36	Arbutus Grove Nursery – Letter of Comment dated July 23, 2012
E-37	Young, L – Letter of Comment dated July 19, 2012
E-38	Hulme, R – Letter of Comment dated July 22, 2012
E-39	Drews, S – Letter of Comment dated June 28, 2012
E-40	Lee, T – Letter of Comment dated July 30, 2012
E-41	Greater Nanaimo Chamber of Commerce, Duncan-Cowichan Chamber of Commerce, Port McNeill Chamber of Commerce and Campbell River Chamber of Commerce – Letter of Comment dated July 30, 2012
E-42	Wild, M. – Letter of Comment dated August 1, 2012
E-43	District of Tofino - Letter of Comment dated July 20, 2012
E-44	Jawl Properties – Letter of Comment dated July 25, 2012
E-45	Navin, S – Letter of Comment dated July 28, 2012
E-46	Devon Properties – Letter of Comment dated July 30, 2012
E-47	Maltby, D – Letter of Comment dated July 25, 2012
E-48	Canadian Home Builders' Association – Letter of Comment dated July 25, 2012
E-49	Castera Investments – Letter of Comment dated August 13, 2012
E-50	Vancouver Island Economic Alliance – Letter of Comment dated August 8, 2012
E-51	Hayward, B – Letter of Comment dated July 23, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-52	Kulicki, E– Letter of Comment dated August 10, 2012
E-53	Le Gers Properties – Letter of Comment dated August 14, 2012
E-54	Monuk, W – Letter of Comment received August 14, 2012
E-55	Pacholko, R – Letter of Comment dated August 7, 2012
E-56	Town of View Royal – Letter of Comment dated July 3, 2012
E-57	Community Living Victoria – Letter of Comment dated August 9, 2012
E-58	Hayes, G – Letter of Comment received August 2, 2012
E-59	Nanaimo Economic Development Corporation – Letter of Comment dated August 9, 2012
E-60	Provincial Motel – Letter of Comment dated received July 25, 2012
E-61	City of Victoria – Letter of Comment dated July 26, 2012
E-62	168 Properties – Letter of Comment dated August 14, 2012
E-63	Carmichael, H – Letter of Comment dated received July 25, 2012
E-64	AGB Properties – Letter of Comment dated August 14, 2012
E-65	Arnsdorf, D - Letter of Comment dated August 16, 2012
E-66	Griffiths, L – Letter of Comment dated August 14, 2012
E-67	Sorensen and Bowers Construction– Letter of Comment dated August 11, 2012
E-68	Olnick, D – Letter of Comment dated August 16, 2012
E-69	Aujla, D – Letter of Comment dated August 18, 2012
E-70	Boehnert, K – Letter of Comment dated August 16, 2012
E-71	Nyren, P - Letter of Comment dated August 16, 2012
E-72	Galatia Realty - Letter of Comment dated August 23, 2012
E-73	Wirch-Ryckman, C - Letter of Comment dated August 16, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-74	Hordyk, W - Letter of Comment dated August 23, 2012
E-75	Knowles, T - Letter of Comment dated August 23, 2012
E-76	Pryde, H - Letter of Comment dated August 23, 2012
E-77	Loome, P - Letter of Comment dated August 23, 2012
E-78	Milne, J - Letter of Comment dated August 23, 2012
E-79	Roworth, A - Letter of Comment dated August 23, 2012
E-80	Tinney, B - Letter of Comment dated August 23, 2012
E-81	Kelleher, W - Letter of Comment dated August 23, 2012
E-82	Baker, M - Letter of Comment dated August 23, 2012
E-83	Gislason, D - Letter of Comment dated August 23, 2012
E-84	Nickel, G - Letter of Comment dated August 23, 2012
E-85	Chandler, C - Letter of Comment dated August 23, 2012
E-86	Griffin, P - Letter of Comment dated August 23, 2012
E-87	Connelly, N - Letter of Comment dated August 23, 2012
E-88	Szafron, L and M - Letter of Comment dated August 23, 2012
E-89	Grant, R - Letter of Comment dated August 23, 2012
E-90	Findlay, E - Letter of Comment dated August 23, 2012
E-91	Terrell, G - Letter of Comment dated August 23, 2012
E-92	Fox, A - Letter of Comment dated August 23, 2012
E-93	Hsham, A - Letter of Comment dated August 23, 2012
E-94	McLean, B - Letter of Comment dated August 23, 2012
E-95	Gibb, P - Letter of Comment dated August 23, 2012
E-96	Specht, C - Letter of Comment dated August 23, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-97	Bresser, B - Letter of Comment dated August 23, 2012
E-98	Spooner, L - Letter of Comment dated August 23, 2012
E-99	Evamy, M - Letter of Comment dated August 23, 2012
E-100	Higgins, B - Letter of Comment dated August 24, 2012
E-101	Agropur, Island Farms – Letter of Comment dated August 24, 2012
E-102	Whitman, G. – Letter of Comment dated August 24, 2012
E-103	Glanford Greenhouses – Letter of Comment dated August 24, 2012
E-104	Carter, C - Letter of Comment dated August 23, 2012
E-105	Henry, E - Letter of Comment dated August 15, 2012
E-106	Gillespie, B - Letter of Comment dated August 23, 2012
E-107	Anderton Nursery - Letter of Comment dated August 25, 2012
E-108	Mieduniecki, C - Letter of Comment dated August 23, 2012
E-109	Shemilt, R - Letter of Comment dated August 23, 2012
E-110	Levin, M - Letter of Comment dated August 28, 2012
E-111	Taply, H - Letter of Comment dated August 25, 2012
E-112	Knapp, P - Letter of Comment dated August 24, 2012
E-113	Cross, J - Letter of Comment dated August 28, 2012
E-114	University of Victoria - Letter of Comment dated August 27, 2012
E-115	Smith, D - Letter of Comment dated August 28, 2012
E-116	Andrea, R- Letter of Comment dated August 29, 2012
E-117	Bickford, R - Letter of Comment dated August 28, 2012
E-118	Chase, L - Letter of Comment dated August 28, 2012
E-119	Currie, K - Letter of Comment dated August 28, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-120	Neilson, C - Letter of Comment dated August 28, 2012
E-121	Hollstein, D - Letter of Comment dated August 28, 2012
E-122	Ruest, N - Letter of Comment dated August 28, 2012
E-123	Page, D - Letter of Comment dated August 28, 2012
E-124	Damant, G - Letter of Comment dated August 29, 2012
E-125	Hall, T - Letter of Comment dated August 28, 2012
E-126	Wardle, G - Letter of Comment dated August 28, 2012
E-127	Suntrio Farm O'Brien, M - Letter of Comment dated August 27, 2012
E-128	Sheets, D - Letter of Comment dated August 30, 2012
E-129	Vancouver Island Health Authority - Letter of Comment dated August 30, 2012
E-130	Dube, K - Letter of Comment dated August 30, 2012
E-131	Neilson, D - Letter of Comment dated August 28, 2012
E-132	Robertson, J - Letter of Comment dated August 28, 2012
E-133	Western Forest Products - Letter of Comment dated August 31, 2012
E-134	Low, S - Letter of Comment dated August 27, 2012
E-135	Roberts, P - Letter of Comment dated August 29, 2012
E-136	Douglas, L - Letter of Comment dated August 29, 2012
E-137	Ternent, S - Letter of Comment dated September 2, 2012
E-138	Green, L - Letter of Comment dated August 31, 2012
E-139	Craig, D - Letter of Comment dated September 3, 2012
E-140	Shillington, W - Letter of Comment dated August 31, 2012
E-141	Scales, R - Letter of Comment dated August 23, 2012
E-142	Chmielowiec, C - Letter of Comment dated August 31, 2012

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
E-143	City of Langford - Letter of Comment dated August 22, 2012
E-144	Moar, M - Letter of Comment dated September 5, 2012
E-145	Fawles, A - Letter of Comment dated September 4, 2012
E-146	Germain, F - Letter of Comment dated September 4, 2012
E-147	Lodging Ovations – Letter of Comment dated September 6, 2012
E-148	McCallum, B – Letter of Comment dated September 11, 2012
E-149	Brown, C – Letter of Comment dated September 12, 2012
E-150	Smith, B – Letter of Comment dated September 6, 2012
E-151	Starling, K – Letter of Comment dated September 11, 2012
E-152	Ruest, N - Letter of Comment dated August 28, 2012
E-153	Allenberg, R – Letter of Comment dated September 11, 2012
E-154	McDonnell, S – Letter of Comment dated September 5, 2012
E-155	Self, T – Letter of Comment dated September 15, 2012
E-156	Lees, S – Letter of Comment dated September 11, 2012
E-157	Price, S – Letter of Comment dated September 11, 2012
E-158	Sproul, V – Letter of Comment dated September 11, 2012
E-159	Docherty, N – Letter of Comment dated September 11, 2012
E-160	Township of Langley – Letter of Comment dated September 13, 2012
E-161	Le Chamois Whistler Hotel – Letter of Comment dated September 11, 2012