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FortisBC Energy Inc.

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

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Decision
and Order G-278-22

October 6, 2022

Before:
A. K. Fung, KC, Panel Chair
E. B. Lockhart, Commissioner
A. Pape-Salmon, Commissioner

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Executive Summary

FortisBC Energy Inc. (FEI), one of the largest natural gas distribution companies in Canada, owns and operates natural gas pipelines and natural gas distribution facilities in British Columbia (BC), including approximately 50,200 kilometres of transmission pipelines and distribution mains. FEI comprises two service areas: Mainland and Vancouver Island together form one service area; and the Fort Nelson service area (FEFN or FEFN service area) forms the other. FEFN represents a small portion of FEI's overall customer base with approximately 2,400 customers, and with annual consumption of less than 5 petajoules of natural gas. Although FEFN is not a stand-alone legal entity, it has its own revenue requirement, rate base and rates, distinct from the revenue requirement, rate base and rates of the combined Mainland and Vancouver Island regions.

On August 12, 2021, FEI filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), consisting of the following two components (Application):

(i) A request for approval to set the delivery rates and the Revenue Stabilization Adjustment Mechanism (RSAM) rate rider for the FEFN service area, effective January 1, 2022 (2022 Delivery Rates), which we refer to as the 2022 Delivery Rates component of the Application; and

(ii) A request for approval for FEFN to adopt the same delivery and cost of gas rates as the rest of FEI's service area, to set FEFN's midstream rates component of the commodity-related charges based on 5 percent of FEI's midstream rates, effective January 1, 2023. Under FEI's proposal, FEFN's revenue requirement and rate base would be merged with those of the rest of FEI's service area. FEI refers to this proposal as a request to move FEFN to common rates with the rest of FEI. FEI also requests approval to phase-in common delivery rates for FEFN residential customers over a 10-year period, effective January 1, 2023.

The regulatory process for the review of the Application was bifurcated between the approvals sought regarding 2022 Delivery Rates and common rates that would commence in 2023. On April 29, 2022, the Panel issued its decision on the 2022 Delivery Rates component of the Application.

In this decision, the Panel addresses the balance of the Application, namely, FEI's requests for approval pertaining to the common rates component of the Application. **The Panel approves FEI to implement common delivery and cost of gas rates for FEFN and FEI, and to set FEFN's midstream rates at 5 percent of FEI's midstream rates, effective January 1, 2023**, based on the following findings**:**

- Common rates between FEFN and the rest of FEI will promote regulatory efficiency by eliminating the regulatory burden and cost of maintaining a separate revenue requirement, rate base and rates for FEFN under the status quo;
- Common rates between FEFN and the rest of FEI will provide a benefit to FEFN ratepayers in the mitigation of rate volatility, thereby supporting long-term rate stability;
- Common rates between FEFN and the rest of FEI will promote fairness and consistency across FEI's service areas;
- FEI's consultation on alternative rate design options to inform the Application was adequate; and
- Common delivery and cost of gas rates for FEFN and FEI with FEFN's midstream rates set at 5 percent of FEI's midstream rates provide a just, reasonable and not unduly discriminatory or unduly preferential rate design for FEFN customers. This rate design option achieves a balanced compromise to maximize the benefits of common rates across the FEI customer base, while avoiding the significant bill impact for FEFN customers under the alternative of a full transition to common rates. Further, this option reflects

the unique circumstances of FEFN's proximity to gas supply in its service area as well as its own unique gas supply arrangement.

To minimize the bill impacts to FEFN residential customers due to the transition to common delivery rates, **FEFN is directed to phase in the bill impact for FEFN residential customers of moving to common delivery rates with FEI, over a period of 5 years. To facilitate this phase-in, the Panel approves the following for FEI:**

- **The establishment of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider, effective January 1, 2023.**
- **The renaming of the existing FEFN 2021 Revenue Surplus deferral account to the FEFN Residential Customer Common Rate Phase-in deferral account. FEI is approved to record the revenue deficiency at January 1, 2023 which results from the phasing in of residential delivery rates over 5 years in the FEFN Residential Customer Common Rate Phase-in deferral account, as an offset against the existing credit balance related to the 2021 FEFN revenue surplus.**
- **The balance of the FEFN Residential Customer Common Rate Phase-in deferral account at January 1, 2023 is to be collected from FEFN residential customers over a period of five years through the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.**

1.0 Introduction

This decision addresses FortisBC Energy Inc.'s (FEI) request for approval from the British Columbia Utilities Commission (BCUC) to implement common delivery and commodity rates (cost of gas component) for the Fort Nelson service area (FEFN or FEFN service area) with FEI, apart from FEFN's midstream rates, which would be set at 5 percent of FEI's midstream rates[1], effective January 1, 2023. Additionally, FEI proposes to phase-in or smooth the implementation of common delivery rates for residential customers over 10-years to mitigate the initial rate pressures for that group of customers (collectively, the Proposed Common Rate Option). For clarity the term "Option 4" in this decision refers to FEI's Proposed Common Rate Option *before* any rate smoothing.

1.1 Background, Application and Approvals Sought

FEI, one of the largest natural gas distribution companies in Canada, owns and operates natural gas pipelines and natural gas distribution facilities in British Columbia (BC), including approximately 50,200 kilometres of transmission pipelines and distribution mains. FEI's gas distribution network serves approximately 95 percent of natural gas customers in BC. FEI comprises two service areas: Mainland and Vancouver Island together form one service area; and FEFN forms the other.[2] FEFN represents a small portion of FEI's overall customer base with approximately 2,400 customers, and with annual consumption of less than 5 petajoules of natural gas. Although FEFN is not a stand-alone legal entity, it has its own revenue requirement, rate base and rates, distinct from the revenue requirement, rate base and rates of the combined Mainland and Vancouver Island regions.[3]

On August 12, 2021, FEI filed an application with the BCUC pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), consisting of the following two components (Application):

(i) A request for approval to set the delivery rates and the Revenue Stabilization Adjustment Mechanism (RSAM) rate rider for the FEFN service area, effective January 1, 2022 (2022 Delivery Rates), which we refer to as the 2022 Delivery Rates component of the Application; and

(ii) A request for approval for FEFN to adopt the same delivery and cost of gas rates as the rest of FEI's service area, to set FEFN's midstream rates component of the commodity-related charges based on 5 percent of FEI's midstream rates, effective January 1, 2023. Under FEI's proposal, FEFN's revenue requirement and rate base would be merged with those of the rest of FEI's service area. FEI refers to this proposal as a request to move FEFN to common rates with the rest of FEI. FEI also requests approval to phase-in common delivery rates for FEFN residential customers over a 10-year period, each effective January 1, 2023.[4]

On April 29, 2022, the Panel issued its decision on the 2022 Delivery Rates component of the Application (2022 Delivery Rates Decision).[5] In that decision, the Panel approved an increase in delivery rates of 3.41 percent for FEFN along with FEI's request to set FEFN's RSAM rate rider at a credit of $0.416 per gigajoule (GJ) on a permanent basis, effective January 1, 2022. The Panel also approved, among other things, FEI's request to establish a new rate base deferral account, called the FEFN Common Rates and 2022 Revenue Requirement Application Costs deferral account, to capture the costs related to the Application and the associated regulatory proceeding, attracting a weighted average cost of capital (WACC) return, with the recovery of the deferral account to be addressed as part of the common rates decision or in a future revenue requirements application (RRA).

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[1] As per Exhibit B-1, p. 4, Footnote 2: Midstream rates include the "Storage and Transport Charge per Gigajoule (GJ)" and Rate Rider 6 – "Midstream Cost Reconciliation Account (MCRA)" per GJ.
[2] Exhibit B-1, p. 9.
[3] Ibid., pp. 9 and 14.
[4] Ibid., pp. 1–2 and 4–5.
[5] FEI Application for Common Rates and 2022 Revenue Requirements for FEFN, Order G-114-22 with Reasons for Decision dated April 29, 2022.

In this decision, the Panel addresses the balance of the Application, namely, FEI's requests for approval pertaining to the common rates component of the Application.

1.2 Regulatory Process

The BCUC established a written public hearing and regulatory timetables[6] for the review of the common rates component of the Application, which included, among other things, the following review process:

- Public notice and intervener registration;
- Two rounds of BCUC and intervener information requests (IRs) to FEI on common rates;
- Intervener evidence on common rates, and related IRs;
- FEI rebuttal evidence on common rates, and related IRs; and
- Written final and reply arguments on common rates.

The regulatory process for the review of the Application was bifurcated between the approvals sought related to the 2022 Delivery Rates component of the Application and those related to common rates because the Panel determined that further regulatory process was required pertaining to common rates after one round of IRs. Details on the regulatory process pertaining to the 2022 Delivery Rates can be found in Section 1.3 of the 2022 Delivery Rates Decision.

Additionally, on July 8, 2022, the BCUC reopened the evidentiary record in this proceeding by accepting the filing of a letter of comment from BC Stats regarding evidence submitted by FEI pertaining to correspondence between a BC Stats representative and an FEI representative. The BCUC established a further regulatory timetable for supplemental final and reply arguments related to the BC Stats letter,[7] as discussed further in Section 5.1 below.

The following parties participated in the review of common rates as registered interveners:

- Fort Nelson & District Chamber of Commerce (FNDCC);
- Northern Rockies Regional Municipality (NRRM); and
- Residential Consumer Intervener Association (RCIA).

FNDCC and NRRM filed joint IRs to FEI and final arguments.

In addition to the letter of comment from BC Stats, the BCUC received 55 letters of comments from individuals living in Fort Nelson. The letters of comment appear to be a form letter opposing the move to common rates and suggesting that FEI's consultation and engagement with the Fort Nelson community was inadequate.[8]

1.3 Legislative Framework

The UCA sets out the framework for approval of rates and includes, in part, the following:

- Section 59(5) which defines an "unjust" or "unreasonable" rate and section 59(4) which states the determination of what is "unjust" or "unreasonable" is a question of fact of which the BCUC is the sole judge;

[6] Orders G-277-21, G-315-21, G-20-22, G-86-22, and G-150-22.
[7] Order G-200-22.
[8] Exhibit E-2.

- Section 60 which provides the BCUC the authority to establish rates and includes mandatory considerations, including the requirement that rates not be "unjust, unreasonable, unduly discriminatory or unduly preferential"; and
- Section 60(1)(b.1) which establishes that in setting a rate, the BCUC may use "any mechanism, formula or other method of setting the rate that it considers advisable and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period."

The Panel conducts its review of the Application based on this legislative authority.

1.4 Decision Framework

The remaining sections of the Decision are organized into four sections:

- Section 2.0 addresses the key factors considered by the Panel in determining whether to approve a move to FEFN common rates with FEI as opposed to maintaining the status quo, whereby FEFN maintains a separate revenue requirement, rate base and rates;
- Section 3.0 addresses options for FEFN common rates submitted by FEI;
- Section 4.0 addresses making the approved common rate option work, including: measures to mitigate the bill impact for FEFN residential customers; amalgamation of FEFN's gas cost portfolios; considerations with respect to FEFN's existing deferral accounts and rate schedules; and other implementation matters; and
- Section 5.0 addresses other issues arising, such as the BC Stats letter.

2.0 Why Common Rates?

FEI states that implementing common delivery and cost of gas rates will provide long-term benefits to FEFN customers, reduce regulatory costs and burden, and achieve greater fairness and consistency of rate treatment across FEI's service areas.[9] FEI considers that now is the appropriate time to move FEFN customers to common rates with the rest of FEI, stating that it has become "increasingly less beneficial" to Fort Nelson customers for FEFN to maintain its separate rate base and rates. In fact, FEI submits that it is now negatively impacting FEFN's commercial customers in terms of that class of customers having higher delivery rates than FEI's commercial customers since 2014.[10]

In the following subsections, the Panel reviews the key factors in determining whether a move to common rates for FEFN with FEI is appropriate as opposed to maintaining the status quo. This includes an analysis of the historical context and policy considerations, in addition to FEI's rationale for proposing common rates for FEFN and the adequacy of consultation and engagement undertaken with FEFN customers.

2.1 Historical Context and Policy Considerations

This section addresses the relevant historical context and policy considerations raised during the proceeding in relation to FEI's proposal to move FEFN to common rates with the rest of FEI's service areas.

<u>**Historical Context**</u>

[9] Exhibit B-1, p. 1.
[10] Ibid., p. 37; Exhibit B-15, Q3, p. 2.

Over the past decades, FEI has, with the BCUC's approval, gradually consolidated its various divisions and service areas together under one legal entity, including FEFN, and has sought to unify these service areas through common, or 'postage stamp,' delivery and commodity rates.[11]

Since 2013, the BCUC has issued a series of decisions with respect to the rate design for the FEFN service area. They are summarized below.

On April 11, 2012, FEI and its affiliates (collectively, FortisBC Energy Utilities (FEU)) filed an application with the BCUC to amalgamate FortisBC Energy (Vancouver Island) Inc. (FEVI), FortisBC Energy (Whistler) Inc. (FEW) and FEI, including FEFN, into a single entity and to implement common rates across the amalgamated entity. Following a public hearing process, in 2013, the BCUC denied FEU's application to amalgamate and adopt common rates across the utilities.[12] Subsequently, FEU filed an application for reconsideration of the BCUC's decision, requesting a reconsideration of the postage stamp rates and amalgamation for FEI and FEW with FEI, but not for FEFN (Reconsideration Application).[13] In the decision on the Reconsideration Application (Reconsideration Decision), the BCUC approved FEI's request but stated:

> [...] there would appear to be a logical inconsistency in maintaining regional rates for Fort Nelson. […] The FEU may want to address this apparent inconsistency in its next rate design application.[14]

In 2016, FEI filed an application for rate design for FEI and FEFN and the BCUC approved, among other things, the following rate design and rebalancing proposals for FEFN (2016 Rate Design Decision):[15]

- Unbundle the cost of gas, midstream and delivery components of FEFN's residential, commercial and industrial rates;
- Replace FEFN's declining block rate structure with a flat rate structure; and
- Rebalance revenues to costs amongst residential, commercial, and industrial rate classes based on a 95 percent to 105 percent revenue to cost ratio range of reasonableness.

FEI noted in 2016 that the changes it proposed would align FEFN's rate structure, rate schedules and General Terms and Conditions with FEI's other service areas, among other benefits.[16] The BCUC directed FEI to consider the appropriateness of implementing a mitigation mechanism to address the impact of these changes on FEFN ratepayers in its next RRA.[17]

In the 2019-2020 RRA for FEFN, FEI addressed the BCUC's 2016 Rate Design Decision directive and stated that it did not propose to move FEFN to common rates or any mitigation mechanisms because the combined bill impact from the 2016 rate design changes and proposed rates was less than 10 percent for each rate schedule.[18] In the decision (FEFN 2019-2020 RRA Decision), the BCUC accepted FEI's rationale for not proposing common rates, but stated: "it is not necessary for there to be no rate impacts in order to transition to postage stamp rates, and that transitional impacts can be minimized and managed with sufficient planning and fore-thought." Based on the magnitude of rate increases requested for FEFN and the continuing downward trend of the total

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[11] Exhibit B-1, p. 14.
[12] FEU Application for Reconsideration and Variance of Commission Order G-26-13 on the FortisBC Energy Utilities' Common Rates, Amalgamation and Rate Design Application, Decision and Order G-21-14 dated February 26, 2014 (Reconsideration Decision), p. 1.
[13] Exhibit B-1, p. 13.
[14] Reconsideration Decision, p. 19.
[15] FEI 2016 Rate Design Application Decision and Order G-135-18 dated July 20, 2018, pp. 47–58.
[16] Ibid.
[17] Ibid.
[18] FEI Application for Approval of 2019-2020 Revenue Requirements and Rates for FEFN, Order G-48-19 with Reasons for Decision dated March 5, 2019 (FEFN 2019-2022 RRA Decision), p. 4.

energy demand in FEFN, the BCUC directed FEI to include, in the next RRA for FEFN, a discussion of the potential for postage stamping rates with the rest of FEI, including the following information:[19]

- The forecast rate impact of moving to postage stamp rates for each of FEFN's rate schedules;
- FEI's assessment of the pros and cons of moving to postage stamp rates in the near future;
- FEI's assessment of the likelihood of the occurrence of factors and circumstances that could result in a reduced or increased rate impact in the near future;
- Proposed mechanisms to reduce or mitigate negative rate impacts to an acceptable level; and
- A proposed time period to implement postage stamp rates.

On November 6, 2020, FEI filed the FEFN 2021 RRA,[20] and proposed to provide the requested information in the BCUC's 2019-2020 RRA Decision in a separate common rates application, which it expected to file by May 2021. The BCUC accepted FEI's proposal (FEFN 2021 RRA Decision), and observed:[21]

> To assess the appropriateness of moving FEFN ratepayers to FEI common rates, a key consideration will be the impact of common rates on FEFN ratepayers. In this context, the Panel acknowledges the comments of customers in this proceeding who state that recent increases in the commodity rates are having negative effects on families and businesses and that any further rate increase would be detrimental. The Panel also notes that FEI states it is sensitive to rate impacts on its customers and that it seeks to provide safe and reliable service to customers at the lowest reasonable cost. The Panel urges FEI to take these considerations into account as it moves forward with its common rates application or next RRA. [*Emphasis added*]

FEI argues that the historical context demonstrates that "... the application of postage stamp rates does not require that the entities or service areas to be combined have the same cost of service. To the contrary…the principle of postage stamp rates is that it is fair and appropriate to allocate costs to customer groups without regard to regional differences in the cost to serve." FEI provides several other examples of postage stamp rates, including the recent implementation of common cost of gas rates for Revelstoke propane customers effective January 1, 2023, in addition to the fact that Fort Nelson is served under the British Columbia Hydro and Power Authority's (BC Hydro) postage stamp rates despite "significant regional differences."[22]

Policy Considerations

FEI submits that common rates are supported by BC government policy or have been approved by the BCUC or BC government in the past despite regional differences.[23] FEI notes the following statements in a letter dated July 9, 2013 to the BCUC from the BC Ministry of Energy and Mines:[24]

> From a public policy perspective, the Ministry is of the opinion that a common rate resulting from the proposed amalgamation of Fortis BC Energy Utilities will have benefits for all FortisBC Energy customers in British Columbia.
>
> Government policy has been to promote access to energy services on a postage stamp rate basis so that all British Columbians benefit from access to services at the lowest average cost.

[19] FEFN 2019-2022 RRA Decision, pp. 10–11.
[20] FEI Application for Approval of Deferral Account Treatment for 2021 and Changes to the Revenue Stabilization Adjustment Mechanism Rider for FEFN (FEFN 2021 RRA).
[21] FEFN 2021 RRA Decision and Order G-78-21 dated March 16, 2021, p. 12.
[22] FEI Final Argument, pp. 8–10.
[23] Ibid., p. 2.
[24] Exhibit B-1, p. 37.

FEI states that postage stamp ratemaking continues to be provincial government policy as further stated in the following extract from a letter dated September 17, 2015 from the BC Ministry of Energy and Mines to the BCUC:

> Postage stamp rates provide access to services at the lowest average cost, promote investment equality across BC Hydro's service area, streamline regulatory requirements and effective utility management, and minimize potential regional rate impacts as BC Hydro invests in its infrastructure.[25]

Finally, FEI highlights that most energy consumers in British Columbia, both electricity and natural gas consumers, pay postage stamp rates.[26]

Positions of the Parties

FNDCC/NRRM submit that the provincial policy for postage stamp rates should be given little weight as these considerations are secondary and are not outlined in the legislative framework.[27] Rather, the issue is whether it is just and reasonable to move a group of customers to postage stamp rates when those customers have historically paid much lower rates, and may continue to pay much lower rates under the existing rates.[28] FNDCC/NRRM point to a recent BCUC decision[29] regarding the BC Hydro Public Electric Vehicle (EV) Fast Charging Rate Application, in which the BCUC "*questioned the use of postage stamps rates* where there are substantive differences between the areas being served" [*emphasis in original*] and argues that the BCUC's reasoning in this decision supports FNDCC/NRRM's position that where there are fundamental differences between different service areas, those differences may need to be reflected in rates, and postage stamp rates may not be appropriate.[30]

RCIA submits that previous BCUC endorsements of postage stamp rates are applicable to the approval of common rates for FEFN, notwithstanding the potential for differences in the cost to serve individual geographic locations. RCIA concludes that the BCUC has previously endorsed the benefits of regulatory efficiency and rate stability (discussed in Sections 2.2.1 and 2.2.2 below) with respect to postage stamp rates and that these benefits have been the primary justifications for their implementation.[31]

FEI disagrees with FNDCC/NRMM's claims that the BCUC's precedent does not support common rates and submits that common rates have become firmly established in the province as the dominant form of ratemaking. It argues that, whether through government direction or BCUC decision, all FEI's customers other than those in FEFN are now served through common rates despite regional differences in costs or other factors. In relation to FNDCC/NRRM's argument that FEFN customers have historically paid much lower rates, FEI submits that historical rates are of marginal importance as the BCUC sets rates on a forward-looking basis and the mere "prospect" that FEFN would pay much lower rates if they were kept on separate rates is speculative and doubtful.[32]

Panel Discussion

In this discussion the Panel addresses the historical and policy considerations regarding postage stamp rates. Regarding the former, it is clear to the Panel from previous BCUC decisions that both the BCUC and FEI have

[25] Exhibit B-1, p. 37.
[26] FEI Final Argument, p. 7.
[27] FNDCC/NRRM Final Argument on Common Rates, p. 38.
[28] Ibid.., p. 12.
[29] BC Hydro Public Electric Vehicle Fast Charging Service Rates Application, Decision and Order G-18-22 dated January 26, 2022.
[30] FNDCC/NRRM Final Argument on Common Rates, pp. 38–39.
[31] RCIA Final Argument on Common Rates, pp. 10–13.
[32] FEI Reply Argument on Common Rates, pp. 17, 20.

been keeping an eye on FEFN rates, and assessing whether its current rate structure should eventually transition to common rates. While the BCUC has not approved such a transition for FEFN in previous decisions, that does not mean that such a transition is not now warranted. In fact, we note that previous BCUC decisions, regarding Vancouver Island and Whistler for example, demonstrate support for postage stamp rather than regional rates in FEI's service areas, and suggest that the issue for FEFN is identifying the appropriate time for such transition as the only remaining service area with its own rate base, rates and revenue requirement.

Unless policy considerations regarding postage stamp rates are included in a legislative framework, they are not prescriptive. Thus, the fact that provincial government policy has reflected the government's support for postage stamp rates does not diminish our responsibility to evaluate FEI's proposal, and to ensure the proposed rates are just and reasonable. To this end, we note that the proper application of the just and reasonable test is whether the proposed rates are just and reasonable considering all the circumstances at this point in time and not, as FNDCC/NRRM suggest, whether it is just and reasonable to move a group of customers to postage stamp rates when some of those customers have historically paid much lower rates, and may continue to pay much lower rates under the existing rates. Such an interpretation implies that ratepayers are entitled to retain historical rates if those rates are favourable.

We also disagree with FNDCC/NRRM that the BCUC's decision regarding BC Hydro's application for Public EV Fast Charging Rate Application supports their position. Although the BCUC rejected BC Hydro's application for what was implicitly a postage stamp rate for EV charging services in the Province, the BCUC pointed out that postage stamp rates have "long been the *de facto* approach for services provided by monopolistic utilities in BC and many other jurisdictions. However, there is no precedent or regulatory requirement that a behind the meter service in a competitive market must use postage stamp rates."[33] In our view, the circumstances of FEI and FEFN in this Application are more analogous to 'services provided by a monopolistic utility' than to a 'behind the meter service in a competitive market' as is the case with EV charging services.

2.2 FEI's Objectives for FEFN Common Rates

FEI identifies the following four key objectives for moving to common rates for FEFN:[34]

i) **Elimination of Regulatory Burden and Cost –** Moving to common rates will eliminate the cost of preparing and reviewing regulatory filings for FEFN and the resulting cross-subsidization from FEI to FEFN.

ii) **Long-Term Rate Stability –** Long-term rate stability under common rates will provide a substantial benefit to all FEFN customers, given that FEFN experiences greater rate volatility than FEI due to its much smaller customer base.

iii) **Fairness and Consistency of Rates across FEI Service Areas –** Common rates will result in fairness amongst all FEI customers in its different service areas.

iv) **Smoothing Rate Impacts from Moving to Common Rates –** Smoothing-in any significant rate increases for FEFN residential customers resulting from the adoption of common rates is one of FEI's key objectives.

As noted above, FEFN is the only FEI regional service area in BC with its own revenue requirement, rate base and rates. FEI does not recommend maintaining the status quo for the following reasons:[35]

- FEFN would continue to incur the costs associated with separate regulatory filings;
- FEFN would continue to experience rate volatility due to its small customer base and the continued requirements for sustainment capital; and

[33] BC Hydro Public Electric Vehicle Fast Charging Service Rates Application, Decision and Order G-18-22 dated January 26, 2022, p. 38.
[34] Exhibit B-1, p. 39; FEI Final Argument on Common Rates, pp. 28–29.
[35] Exhibit, B-1, pp. 45–47; FEI Final Argument on Common Rates, pp. 29–30.

- There would continue to be a disparity in rate treatment between FEFN and FEI customers in its other service areas.

The subsections below address FEI's objectives of regulatory efficiency, long-term rate stability and fairness and consistency of rates across FEI's service areas in pursuing the move to common rates for FEFN.

FEI includes smoothing rate impacts from a move to common rates as one of the objectives because there will be a bill increase for FEFN residential customers under all of the proposed common rate options that FEI considered. Specifically, under Option 4, which is discussed in Section 3.0, FEFN residential customers will see a bill increase of approximately 15 percent in 2023 upon transition to common rates before rate smoothing.[36] The Panel considers rate smoothing to be a need that is a consequence of the move rather than an objective for moving to common rates. Accordingly, we will address this in Section 4.1 of this decision below in our consideration of the specific rate design options identified by FEI for implementing the move to common rates.

2.2.1 Regulatory Efficiency

As noted above, FEI submits that maintaining the status quo for FEFN requires resources and incremental regulatory costs and that common rates would have several benefits in relation to regulatory efficiency. These benefits include lowering costs for the combined entity (FEI), eliminating the current cross-subsidization of regulatory costs between FEI and FEFN and freeing-up FEI's resources to focus on other regulatory priorities.[37]

Currently, FEI employees prepare separate regulatory filings for FEFN. These include: an annual or bi-annual RRA to set delivery rates; quarterly gas cost reports to set cost of gas and midstream rates; Certificate of Public Convenience and Necessity (CPCN) applications; an annual report; and an annual gas cost status report.[38] Although a small amount of the internal costs for FEI employees to work on FEFN-specific regulatory filings is allocated to FEFN through the shared services fee, FEI submits that the fee has not been representative of the effort required in recent years. While FEI does not track internal regulatory costs, FEI estimates that internal FEFN-specific regulatory costs range from approximately $65,000 to $181,000 for 2018 to 2022. As such, FEI estimates that the difference between the currently allocated regulatory costs as part of the shared services fee and the high-level estimate of time that represents an FEI subsidy to FEFN, is approximately $32,000 to $146,000 (before capitalized overheads) per year. This represents an equivalent annual delivery rate impact to FEFN of 1.14 percent to 4.84 percent.[39]

For FEFN RRAs and CPCNs, FEI also incurs external regulatory costs[40] associated with these filings, which are paid for by FEFN ratepayers.[41] FEI states that these external regulatory costs are material and will be eliminated if common rates are approved. FEI considers that external regulatory costs have been one of the main contributing factors to FEFN's delivery rate increases under the status quo, contributing approximately 31.8 percent to FEFN's average delivery rate increase from 2012 to 2021.[42] By comparison, FEI notes that external regulatory proceeding costs contributed only 0.15 percent to FEI's 2022 approved delivery rate increase, although the dollar amount (approximately $150,000) was higher than the cost in each of FEFN's historical RRA or CPCN proceedings.[43]

FEI's delivery rates are set in an expedited annual review process established under the BCUC's approved multi-year rate plan (MRP) for FEI and FortisBC Inc. (together, FortisBC) covering a five-year period from 2020 to 2024

[36] Exhibit B-6, BCUC IR 11.3.
[37] Exhibit B-7, FNDCC/NRMM IR 3.1; FEI Final Argument on Common Rates, pp. 3 and 11–13.
[38] Exhibit B-1, pp. 15, 16, 39 and 40.
[39] FEI Final Argument on Common Rates, p. 12.
[40] Exhibit B-1, p. 40: The external regulatory costs include: BCUC costs, external legal fees, public notice costs and intervener costs.
[41] Ibid., p. 40; Exhibit B-7, FNDCC/NRRM IR 3.1.
[42] FEI Final Argument on Common Rates, p. 12.
[43] Exhibit B-15, Q26, p. 15.

(FortisBC 2020-2024 MRP). The MRP uses a performance or incentive-based regulatory rate setting framework, which links utility rates to performance, rather than to the recovery of the operating and capital costs of service associated with a traditional cost of service approach.[44]

Positions of the Parties

RCIA submits that regulatory efficiency is the most important justification of common rates, stating that a reduction in regulatory costs is one of the most tangible benefits of common rates and reflects a real reduction in costs for FEI and FEFN.[45]

FNDCC/NRMM submit that regulatory efficiency is a secondary consideration and any such benefits should not override the adverse rate impacts on FEFN's residential customers and the long-term risks for FEFN ratepayers as a whole.[46] Further, FNDCC/NRRM state that FEI's claim of cross subsidization between FEI and FEFN is "untestable" and should be given little weight, noting that FEI has not proposed any changes to the shared services fee to account for the alleged cross-subsidy, nor has it explained why the internal efforts of FEI employees have increased relative to the amount recovered under the shared services fee.[47]

In reply, FEI emphasizes that the ongoing external and internal costs of FEFN-specific regulatory proceedings have been material. In FEI's view, dismissing the benefits of regulatory efficiency would be inconsistent with the BCUC's past consideration of this topic, noting that the BCUC found that postage stamp rates are consistent with regulatory efficiency in the Reconsideration Decision.[48] With respect to FEI's current estimate of cross-subsidization between FEI and FEFN, FEI states that the shared services fee is derived from a judgment-based cost allocation. As such, it is not unexpected that the allocated costs may not perfectly track FEI's internal costs of providing the service and in fact, one of the benefits of common rates is removing the need for the application of judgment. If common rates are not approved, FEI considers that it will need to propose a revision to the shared services fees to more accurately allocate costs to FEFN.[49]

Panel Discussion

The Panel finds that common rates promote regulatory efficiency by eliminating the regulatory burden and cost of maintaining a separate revenue requirement, rate base and rates for FEFN under the status quo. In our view, this is consistent with the Bonbright principle that a rate structure should be practical and cost effective to implement.

Regulatory efficiency is but one consideration in evaluating whether the proposed rate structure will result in just and reasonable rates. In other words, to alleviate the concern of FNDCC/NRRM, any benefits arising from increased regulatory efficiency are not the only factors weighed against the adverse impact to FEFN's residential customers. In any event, it is unnecessary to rank whether regulatory efficiency is, as RCIA submits, the most important justification for common rates, or whether it is, as FNDCC/NRRM submit, a secondary consideration. However large or small the regulatory burden of maintaining separate FEFN rates, the fact that FEI has to make separate filings suggests there is at least some efficiency to be achieved by moving to common rates. FEI presents a clear example by reference to the external regulatory costs paid for by FEFN ratepayers for RRAs and CPCNs, which have contributed almost 32 percent to FEFN's average delivery rate increase from 2012 to 2021.

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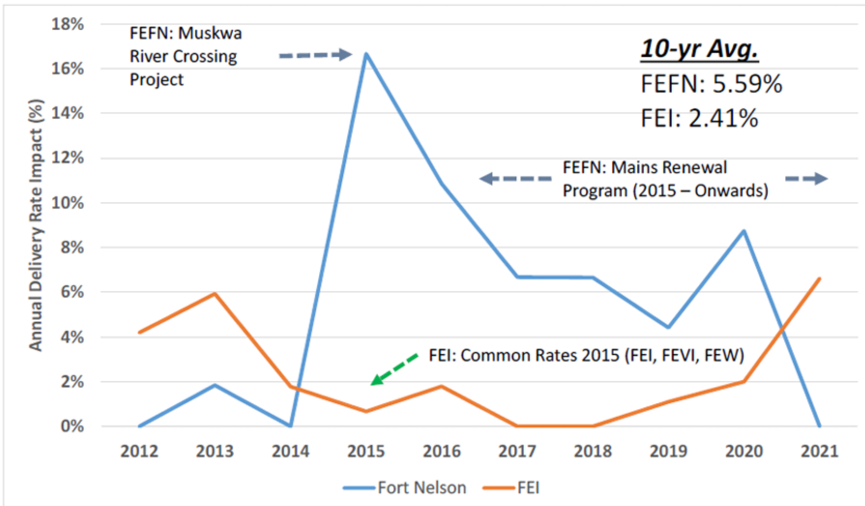
[44] FEI and FortisBC Inc. Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024 (FortisBC 2020-2024 MRP), Decision and Orders G-165-20 and G-166-20 dated June 22, 2020.
[45] RCIA Final Argument on Common Rates, p. 16.
[46] FNDCC/NRRM Final Argument on Common Rates, pp. 8, 39–40.
[47]Ibid., p. 40.
[48] FEI Reply Argument on Common Rates, p. 12.
[49] Ibid., pp. 13–14.

Further, FEFN could benefit from becoming part of the overall FEI expedited annual review process under its MRP.

2.2.2 Addressing Long-term Rate Stability

FEI submits that since 2015 FEFN has experienced relatively higher delivery rate increases and greater rate volatility than FEI due to its small customer base. As shown in the figure below, the 10-year average annual delivery rate increase for FEFN customers is 5.59 percent as compared to 2.41 percent for FEI customers.[50]

Figure 1: 10 Year Delivery Rate Change (FEFN vs. FEI)[51]



Although FEFN's residential delivery rates are currently lower than FEI's, FEI states that this does not mean FEFN's overall delivery rates are lower than FEI's, as evidenced by the fact that FEFN's commercial delivery rates have been higher than FEI's since 2014. Rather, FEI's effective delivery rate for all customers (i.e. total FEI delivery margin divided by total FEI demand) is on average $0.032/GJ less than FEFN's over the last 12 years (2011 to 2022). FEI submits that this shows the value of FEI's much larger customer base.[52]

By transitioning to common rates, FEI believes that FEFN will achieve greater rate stability over the long-term because FEI's much larger service area and customer base would more easily absorb changes in costs and demand.[53] FEI also refers to "opportunities within FEI to increase demand, such as through low carbon transportation and global liquefied natural gas (LNG), to offset the impact of decarbonization policies" which FEFN does not have.[54]

FEI notes that historical FEFN rate volatility has been exacerbated by two specific factors: i) a 20 percent decline in natural gas demand in FEFN since 2014; and ii) a 35 percent increase in the approved revenue requirement for FEFN over the same period, primarily driven by significant capital projects entering rate base during that time, including the Muskwa River Crossing CPCN and the distribution mains renewal project.[55] These two factors are discussed below.

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[50] Exhibit B-1, p. 35.
[51] Ibid., p. 36, Figure 4-9.
[52] Exhibit B-15, Q3, p. 2; Exhibit B-17, BCUC IR 1.1.1. Note: the delivery margin is the delivery revenue net of the cost of gas.
[53] Exhibit B-1, p. 36.
[54] FEI Final Argument on Common Rates, p. 38.
[55] Exhibit B-1, pp. 24 and 35–36.

Decline in Natural Gas Demand

FEI submits that FEFN's demand has been trending downwards since 2014, and that this decline has a negative impact on FEFN customers' delivery rates.

Between 2014 and 2020, actual demand decreased by 127 terajoules (TJs) from approximately 645 TJs to 518 TJs, which is equivalent to a decline of approximately 20 percent over the analysis period.[56] FEI states that the decline in energy demand in FEFN has resulted in delivery rate impacts that range from 3.6 percent to 7 percent. The cumulative delivery rate impact between 2014 and 2020 is approximately 22.5 percent or an average of approximately 3.2 percent per year. FEI estimates that assuming the same level of decline in demand (i.e. 127 TJs) all occurred in FEI in 2021, the approximate delivery rate impact would only be a 0.07 percent increase to FEI's non-bypass customers.[57]

At the time of the Application, FEI forecast that FEFN demand is expected to continue to decline over the long-term, consistent with the general economic decline of the FEFN region,[58] as shown in the table below:

Table 1: 10-year FEFN Demand Forecast[59]

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

Table 1 shows that the residential customer demand from FEFN Rate Schedule (RS) 1 is expected to decrease at an average rate of 3.4 TJs per year[60] primarily due to declining customer counts in Fort Nelson, but also due to a declining use rate per customer. With respect to commercial demand from FEFN RS 2, 3 and 25, FEFN is forecasting RS 2 customer demand to be 150 TJs in 2022 and RS 3 customer demand to be 87 TJs in 2022. As of 2021, FEFN no longer has any industrial (RS 25) class customers. FEI submits that the primary cause of the decline in industrial and commercial demand has been the loss of the last two RS 25 industrial customers that previously operated in Fort Nelson.[61]

Issues were raised during the proceeding regarding FEI's demand forecast methodology, which we address separately in Section 2.2.3 below.

Capital Projects Entering Rate Base

FEI submits that increases to rate base, which are due to large capital projects and ongoing sustainment activities, can have a very significant delivery rate impact for FEFN customers.[62]

[56] Exhibit B-1, p. 24.
[57] Ibid., pp. 27, 30.
[58] FEI Final Argument on Common Rates, pp. 17–18.
[59] Exhibit B-6, BCUC IR 3.3.
[60] Calculated as the average difference between the 2030 and 2021 forecast RS 1 demand (i.e. (238 TJs – 204 TJs)/ 10 years = 3.4 TJs).
[61] Exhibit B-1, p. 27.
[62] Ibid., p. 31.

For example, FEFN's most recent unplanned major capital project, the Muskwa River Crossing project (completed in 2015), resulted in a capital addition of approximately $4.2 million and a cumulative delivery rate impact of approximately 20 percent between 2011 and 2020. While FEI does not currently have plans in the next 10-years for a capital project in the FEFN service area that would be of a similar cost as the Muskwa River Crossing project, FEI states that such large capital projects are not unlikely in the future, as the driver for that project was riverbed erosion resulting in the risk of pipeline unearthing. Because there are few residential customers and no industrial customers, FEI believes that there is a risk of a large increase in rates should an expensive project be undertaken in the future.[63] FEI submits that generally the risks of capital expenditures are similar for both FEI and FEFN due to similarities in the age and estimated useful lives of FEI and FEFN infrastructure. In addition, the design philosophy, standards and materials, and operating and maintenance practices used in both the FEI and FEFN systems are the same; however, FEFN has a much smaller customer base from which to attract offsetting revenues.[64]

Positions of the Parties

RCIA considers rate stability to be one of the primary justifications for common rates. RCIA submits that rate stability, along with regulatory efficiency (which is discussed in Section 2.2.1), may carry as much or more weight than the principle of fair apportionment of costs (which is discussed in Section 2.2.4).[65] RCIA submits that common rates will provide a benefit in the mid- to distant future if customers and load continue to decline and capital expenditures increase in FEFN, which will put upward pressure on rates.[66]

With respect to the decline in FEFN demand, NRRM points out there are several projects in the Fort Nelson area that are in the beginning stages of development or in construction that could add to residential or commercial demand.[67] FEI notes in response that none of these developments will add industrial gas demand to FEFN's system.[68]

FNDCC/NRRM submit that rate stability from common rates has no value if it comes at the cost of materially higher rates[69] and is achieved by disrupting the long-standing status quo.[70] They point out that although FEI highlights that its proposal will reduce commercial rates and only increase residential rates, this ignores the fact that "in Fort Nelson business owners are also residents. … The same people will be paying both rates, and any perceived trade-offs are artificial."[71] In reply, FEI disagrees that the perceived trade-offs between residential and commercial customers are artificial, noting that there are net savings of $193 in 2023 for a customer who is both a residential and small commercial customer before any phase-in.[72]

In FNDCC/NRRM's view, there is a significant amount of known capital spending planned on FEI's system that FEFN ratepayers will contribute to under common rates, with little benefit to FEFN ratepayers. Whereas, aside

[63] Exhibit B-6, BCUC IRs 4.2 and 4.3. Preamble to BCUC IR 4.2: "The cumulative capital additions since 2011 are approximately $9.15 million which resulted in a cumulative delivery rate impact of approximately 43 percent," and in response to BCUC IR 4.3: "The cumulative capital additions since 2011, excluding the Muskwa River Crossing CPCN, are approximately $4.95 million, which resulted in a cumulative delivery rate impact of approximately 22.8 percent." The difference represents the Muskwa River Crossing CPCN; capital additions of $4.2 million and a cumulative delivery rate impact of approximately 20.2 percent.
[64] Exhibit B-17, BCUC IR 3.1; Exhibit B-10, FNDCC/NRRM 1.1.
[65] RCIA Final Argument on Common Rates, p. 14.
[66] Ibid., p. 27.
[67] Exhibit C2-7, FEI IRs 2.1–4.3.1.
[68] Exhibit B-15, Q43, p. 27.
[69] FNDCC/NRRM Final Argument on Common Rates, p. 3.
[70] Ibid., pp. 40–41.
[71] Exhibit C1-6, PDF pp. 2–3.
[72] Exhibit B-15, Q5, pp. 3–4.

from smart meters, FEI has no major capital spending program planned within FEFN.[73] As such, FNDCC/NRRM submit the evidence does not support that FEFN customers will have more rate stability under common rates.[74]

In reply, FEI argues that even planned capital projects have a significant impact on FEFN delivery rates given the small customer base. FEI submits the risk of increasing capital expenditures will be similar for both FEI and FEFN; however, unlike FEFN, FEI has a much larger customer base, steadily increasing demand, a large industrial class of customers, and opportunities to increase demand, such as through low carbon transportation and global LNG. Thus, FEFN's rate volatility will continue to be greater than FEI's.[75]

FEI submits that rate stability is a significant benefit that should be given due consideration by the BCUC.[76]

Panel Discussion

The Panel finds that common rates will provide a benefit to FEFN ratepayers in the mitigation of rate volatility, thereby supporting long-term rate stability. Rate stability is the converse of volatility, which results in frequent and substantial changes in rates due to both planned events and unplanned changes in the operation of FEFN, both of which can significantly affect rates due to its small customer base. Rates that are stable are more predictable, which in turn supports the Bonbright principle of customer understanding and acceptance. Another benefit is that customers are better able to manage their finances with stable, as opposed to volatile, rates.

We find that FEI has demonstrated that FEFN ratepayers have experienced greater rate volatility than FEI ratepayers, as shown graphically in Figure 1. Both the small FEFN customer base and the impact of capital projects entering rate base have contributed to this rate volatility. Further, we are persuaded that common delivery rates will help address rate volatility because FEI's larger customer base is better able to absorb pressures on the revenue requirement\.

FEI's projection of continued decline in FEFN demand is, in our view, supported by strong evidence. Since 2014, both the number of residential and commercial customers as well as the rate of consumption per customer have been declining, well before the impact of the COVID-19 pandemic. Further, FEFN no longer has any large industrial customers. Our conclusion regarding the declining demand takes into account, the demand forecast methodology, which we review in Section 2.2.3 below.

FEI also provides strong evidence of the impact of unplanned capital expenditures on FEFN's rate volatility. The Muskwa River Crossing project is a tangible example; this project resulted in a significant cumulative delivery rate impact in 2015, which would be even more pronounced today because of the smaller customer base in 2022 compared to 2015. Further, we accept FEI's submission that such situations are not unlikely in the future for FEFN.

Even planned capital expenditures can be expected to contribute to rate volatility and we agree that because of the similarities in the infrastructure and operating and maintenance practices between FEI and FEFN, we can expect that FEFN is also going to be faced with capital spending in the same way that FEI is facing it.

Nevertheless, FNDCC/NRRM make a valid point in their observation that rate stability from common rates has no value if it comes at the cost of materially higher rates for customers. In Section 3.0 of the decision, we examine the specifics of the bill impact of moving to common rates.

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[73] FNDCC/NRRM Final Argument on Common Rates, p. 41.
[74] Ibid., p. 3.
[75] FEI Final Argument on Common Rates, p. 24.
[76] FEI Reply Argument on Common Rates, p. 14.

Finally, we disagree with FNDCC/NRRM that rate stability resulting from common rates has no value if it is achieved by disrupting the long standing status quo. As we noted above in our discussion regarding historical context and policy considerations, FEFN ratepayers are not entitled to retain lower rates indefinitely simply because they have historically had lower rates.

2.2.3 FEFN Demand Forecast Methodology

During the proceeding, some interveners challenged FEI's demand forecast methodology. Specifically, NRRM questioned FEI's long-term demand forecast methodology and provided an alternate methodology, prepared by CSCW Systems Corporation (CSCW)[77] in Intervener Evidence. As noted above in Section 2.2.2, the relevance of this is in relation to FEI's position that a continued decline in FEFN demand will exacerbate rate volatility for FEFN customers under the status quo.

FEI Demand Forecast Methodology

FEI states that its natural gas demand forecast for FEFN is based upon methods that are consistent with those used in prior years for rate-setting purposes and results in a reasonable estimate of natural gas demand for 2022 and beyond. FEI explains that the forecast methodology complies with a directive issued by the BCUC in 2016[78] and is consistent with the recommendations in the FEI Forecasting Method Study filed as Appendix B2 in Exhibit B-1-1 of the FortisBC 2020-2024 MRP proceeding.[79] The Mean Absolute Percentage Error (MAPE) for the total demand forecast is 4.4 percent over the period from 2011 to 2021, which FEI submits is acceptable and comparable to other utilities.[80]

The forecast demand for FEFN comprises two components: (1) customer additions (account) forecast; and (2) average use per customer (UPC) forecast.

FEI develops the customer account forecast as follows:

- The Conference Board of Canada (CBOC) housing starts forecast for BC provides a proxy for Fort Nelson's residential customer additions and the year-over-year growth rate is calculated for 2022 based on the CBOC Provincial Outlook Long-Term Economic Forecast, April 29, 2021.[81]
- The commercial additions forecast is based on the three-year average of the actual additions recorded between 2017 and 2020.[82]

FEI calculates the UPC forecast using the Exponential Smoothing method (ETS) and ten years of annual, actual weather normalized use rates by region and rate class.[83]

NRRM Demand Forecast Methodology

NRRM states FEI's forecast methodology assumes that prior trends will continue indefinitely, and in doing so fails to incorporate credible indicators that contradict those predictions.[84] NRRM submits that FEI's load forecasting method may be adequate for the short term but not the long term, and specifically that it does not

[77] Exhibit C2-5, Appendix D.
[78] In Footnote 48 on page 88 of the Application, FEI notes Directive 7 of BCUC Order G-162-62 directed FEI to "file the supporting calculations for the residential and small commercial use per customer and customer additions forecasts in its future [revenue] requirement applications for the Fort Nelson Service Area."
[79] Exhibit B-1, Appendix A3, Section 1, p. 1.
[80] Exhibit B-15, Q37, p. 21.
[81] Exhibit B-1, Appendix A3, Section 3, p. 4.
[82] Ibid., Section 8.3.3, p. 89.
[83] Ibid., Appendix A3, Section 5.1, p. 5.
[84] Exhibit C2-5, p. 6.

consider a projected year after year increase in the NRRM population predicted by BC Stats to 2041, following the pandemic low in 2020.[85]

NRRM explains its long-term demand forecast model as follows:[86]

> Using the Actual Fort Nelson Local Health Authority (LHA) Households and Fortis Gas Demand (TJ)[sic] Totals for 2011 to 2020 a regression equation was created to predict demand from households each year from 2021 onwards.

Under NRRM's demand forecast method, demand is projected to increase over the period 2021 to 2040. The projected FEFN demand in TJ for 2021 to 2041 is shown in the following table:

Table 2: Projected Demand in TJs for 2021 to 2041[87]

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Households	2129	2154	2182	2213	2243	2283	2319	2353	2385	2414	2443
Demand FN-DM	527	535	543	552	561	573	584	594	604	613	621
Year	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	
Households	2471	2496	2515	2539	2555	2572	2588	2606	2622	2639	
Demand FN-DM	630	637	643	650	655	660	665	670	675	680	

NRRM states a demand forecast using 10 years of historical actuals and household data from the LHA as an input in a linear regression model yields more accurate results for long-term demand forecasting. NRRM states that the province-wide BC Stats data used by FEI do not represent population trends in the small community of Fort Nelson.[88]

Positions of the Parties

FNDCC/NRRM question the reliability of FEI's demand forecast methodology.[89] In their view, the BC Stats' Fort Nelson LHA household projection data "is the best data available" as BC Stats continues to update this data and provides it on its website to all users.[90]

In reply, FEI argues that NRRM's forecast methodology is less accurate because it has consistently over forecasted FEFN's total demand from 2011 to 2020 and has a percentage error (MAPE) double that of FEI's method. The available data therefore suggests that FEI's forecast demand method is more reliable than that of NRRM. FEI submits that the "fact that FEI's forecast method has been repeatedly tested and approved and proven to be accurate is strong evidence that the forecast method is sound. This should increase the confidence in FEI's forecast over longer periods of time. In contrast, CSCW offers no evidence of any previous review or testing of its method".[91]

FEI disputes NRRM's assertion that its forecast methodology is inadequate for long term forecasting and explains that "FEI's demand model was not designed for any particular forecast period. FEI's residential

85 Ibid., Appendix D, p. 3.
86 Exhibit C2-8, BCUC IR 5.4.
87 Exhibit C2-8, BCUC IR 5.4.
88 Ibid., BCUC IR 5.1, Attachment 1, p. 24.
89 FNDCC/NRRM Final Argument on Common Rates, p. 29.
90 Ibid., p. 32.
91 FEI Reply Argument on Common Rates, p. 32.

customer forecast uses the CBOC 20-year forecast of housing starts growth rates to develop its residential customer additions forecast. This forecast is future looking and is used because it provides unique trajectories for both single- and multi-family dwellings. The results of FEI's demand forecast are corroborated by FEI's end-use demand forecast used for long-term resource planning purposes, which would produce a similar declining trend in FEFN's demand."[92]

In particular, FEI notes that the forecasting method used by CSCW relies only on BC Stats household data to project the total demand of FEFN that includes residential, small and large commercial customers. According to FEI, "[u]sing only the household numbers to forecast different types of customers that have vastly different consumption patterns is problematic[...]"[93]

Nonetheless, FEI emphasizes that its forecast is only a forecast, and it does not know what will happen in Fort Nelson over the next 10 years. FEI submits that the justification for common rates does not depend on a continued decline in FEFN's demand or that FEFN's residential delivery rates reach parity with FEI.[94]

RCIA does not put forward a position on the demand forecast methodology.

Panel Discussion

On the issue of demand forecast methodology, we find that FEI's methodology is preferable to that put forward by NRRM. FEI has been using its methodology for the last ten years in proceedings before the BCUC, including the FortisBC 2020-2024 MRP proceeding, where it has been tested and accepted. The fact that the percentage error for FEI's methodology is lower than that of NRRM's methodology indicates that FEI's is more reliable.

Finally, NRRM submits that FEI's methodology may be adequate for the short-term, but not for the long-term because the FEI demand model does not consider the projected increase in the NRRM population predicted by BC Stats. We do not see any validity to this claim. FEI uses a demand model that is not designed for a particular forecast period, and it uses its methodology for both short and long-term resource planning. Thus, we accept that FEI's forecasting methodology is adequate for both short- and long-term forecasting, with the usual caveat that a forecast is only a forecast.

2.2.4 Fairness and Consistency Across All FEI Service Areas

FEI submits that fairness amongst all FEI customers is the main principle behind common rates: "[u]nder common rates, all customers within a rate class would pay the same rate, regardless of their geographic or service area location."[95]

FEI submits that common rates with FEI are suitable for FEFN because FEFN's 2,400 customers receive the same service from FEI, using the same resources and similar assets as all of FEI's other one million plus customers located across 136 communities in BC.[96]

FEI makes several specific arguments regarding the similarities between FEI and FEFN and the factors that contribute to the delivery rates:

[92] Ibid., p. 30.
[93] Exhibit B-15, Q41, p. 25.
[94] FEI Reply Argument on Common Rates, p. 28.
[95] Exhibit B-1, p. 42.
[96] FEI Final Argument on Common Rates, pp. 3 and 36.

- FEFN is one of FEI's service areas and no corporate amalgamation is required to put common rates into effect;[97]
- FEFN operations and management are fully integrated with FEI, similar to FEI's other service areas;[98]
- No substantial differences exist between FEI and FEFN's infrastructure;[99]
- FEFN's rate structure, rate schedules and General Terms and Conditions are already aligned with the rest of FEI;[100]
- FEFN customers receive the benefits from integration with FEI, including: access to resources, expertise and training at lower costs; access to low-cost capital funding; reduced materials costs; and access to commodity-related benefits.[101]

FEI states that it understands "that the main criticism of common rates is that maintaining regional rates may more accurately reflect regional differences in costs." However, it submits that the current delivery rates for FEFN are not representative of the true regional differences in the costs of service between FEFN and FEI, and it is difficult to justify the continuing rate disparity between FEFN and other FEI customers for essentially the same service when most customers pay the same rates regardless of their location.[102]

Over the last ten years, FEI states that approximately 22 percent of FEFN's revenue requirement has been based on direct allocations from FEI through the shared services fee and capital additions for application software and computer hardware.[103] Further, a large portion of the remaining 76 percent of FEFN's revenue requirement is essentially calculated costs based on studies and rates flowing from FEI.[104] FEI submits that the significant amount of allocated and calculated costs that make up FEFN's revenue requirements demonstrates the level of dependency of FEFN on FEI and the significant judgement required when setting FEFN's rates.[105] FEI submits that this supports moving to common rates and indicates that under common delivery rates FEFN will continue to be charged rates that reflect a fair apportionment of costs based on cost causation.[106]

With respect to the cost of gas and midstream component of rates, historically, FEI has contracted the commodity supply for FEFN on favourable and flexible terms for its daily requirements, as a result of FEI's long-term relationships with the producers. However, due to a steady decline in production from the Fort Nelson plant, FEI states that it may not be able to negotiate this unique arrangement with producers in the future.[107] In FEI's analysis, the FEI cost of gas is estimated to be lower than FEFN's cost of gas in 2023.[108] However, FEFN's midstream rates are less than FEI's midstream rates because FEI's natural gas purchases for FEFN from the Fort Nelson plant are shaped to the relative level of seasonal consumption in FEFN, which reduces the need for midstream resources.[109]

[97] Exhibit B-15, Q30, p. 16.
[98] Exhibit B-1, p. 20.
[99] Exhibit B-17, BCUC IR 3.1.
[100] Exhibit B-1, pp. 16 and 37.
[101] Ibid., p. 22.
[102] Ibid., p. 42; Exhibit B-6, BCUC IR 18.3.
[103] Exhibit B-1, p. 21; Exhibit B-6, BCUC IR 10.1.
[104] Exhibit B-6, BCUC IR 10.1.
[105] FEI Reply Argument on Common Rates, p. 25.
[106] Exhibit B-6, BCUC IR 10.3.
[107] Exhibit B-1, pp. 22–23.
[108] Ibid., p. 55, Table 5-13.
[109] FEI Final Argument on Common Rates, pp. 24–25.

FEI notes that its overall gas supply includes FEFN and lists four ways in which FEFN's gas supply benefits from integration with FEI's overall gas portfolio:[110]

i. Balancing agreement between FEI and Westcoast Energy Inc. (Westcoast) [now Duke Energy Corporation] for FEI's overall gas portfolio;

ii. FEFN's gas cost recovery rates include an allocation of costs from the FEI overall gas supply portfolio;

iii. FEFN commodity pricing benefits from FEI's physical price hedge; and

iv. FEFN's gas costs include an allocation of costs related to the Westcoast T-North Short-Haul Firm Transportation Service.

Positions of the Parties

In RCIA's view, it appears that FEFN cost of gas rates reflect the unique arrangement for gas supply to FEFN and not an allocation of a pooled gas supply.[111] Even if there are differences in the cost to serve FEFN customers compared to FEI customers, it is reasonable to assume that similar differences exist throughout FEI's service territories. RCIA states that despite these differences, the BCUC has previously approved common rates for the various FEI territories.[112]

With respect to the Bonbright principle supporting a fair apportionment of costs among customers, RCIA submits that fairness is achieved when rates reflect the cost to serve, not when the same rates are charged for the same service. In its view, the evidence is not clear whether the current rates or common rates are more reflective of the cost to serve FEFN customers. Given the current cost of gas rates are based on a distinct arrangement for FEFN, it appears that moving to common rates would serve to make the rates less reflective of cost of service.[113]

In reply, FEI clarifies that both regional and common rates would be based on cost causation, but common rates would improve the fair apportionment of costs and would increase fairness for all FEI customers. This would result from several factors, including that common rates will both eliminate the subsidization from FEI to FEFN and better reflect that FEFN is fully integrated into FEI. Therefore, FEI submits a consideration of the Bonbright principle supporting a fair apportionment of costs strongly favours transitioning FEFN to common rates whereby all customers within the same rate class will receive the same level of service regardless of their location.[114]

In FNDCC/NRRM's view, FEFN's system is sufficiently distinct from the rest of FEI's system that postage stamp rates cannot be just and reasonable.[115] FNDCC/NRRM argue that FEFN is served by infrastructure that is geographically isolated and physically disconnected from FEI's broader system, and FEFN also has different usage and costs that can be tracked and allocated separately.[116] Further, FNDCC/NRRM note that FEFN's current gas supply will continue to remain distinct from the rest of FEI even under common rates.[117] FNDCC/NRRM state that the BCUC's power to consider distinct or special areas under sections 60(2) and (3) of the UCA support the rejection of FEI's Application.[118]

In reply, FEI states that the infrastructure serving FEFN has the same level of connectedness as many of FEI's assets serving FEI's other customers and that physical integration is not necessary for common rates.[119] While

[110] FEI Reply Argument on Common Rates, p. 24.
[111] RCIA Final Argument on Common Rates, p. 7.
[112] Ibid., p. 15.
[113] Ibid., p. 10.
[114] FEI Reply Argument on Common Rates, p. 9.
[115] FNDCC/NRRM Final Argument on Common Rates, p. 23.
[116] Ibid., p. 18.
[117] Ibid., p. 20.
[118] Ibid., p. 22.
[119] FEI Reply Argument on Common Rates, p. 21.

FEFN benefits from a unique gas supply arrangement, this does not detract from the fact that FEFN's gas supply is integrated with FEI's overall gas portfolio from which FEFN also derives benefits.

Further, FEI states that FEFN's current rates reflect the cost to serve FEFN customers based on allocations of costs from FEI and FEI's financing and capital costs, but do not reflect the actual costs to operate FEFN as a separate legal entity or utility. That said, there is a lack of clarity as to whether FEFN's current rates truly reflect the cost to service FEFN customers due to the level of judgement required when allocating costs from FEI to FEFN. For example, the allocation of FEI's operations and maintenance (O&M) costs is based on number of customers. While this allocation is simple and easy to administer, and accurate enough for some costs, FEI submits that it underestimates FEFN's share of its finance and regulatory costs. FEI submits that moving FEFN to common rates would establish rates that reflect the costs to serve FEFN customers without regard to location.[120]

In further support of its position, FEI notes that "FEFN does not undertake its own depreciation study, does not have its own capital structure, does not issue its own debt or equity, does not file its own income taxes, and the interest rates for its short-term and long-term debt are those of FEI as a single legal entity that includes FEFN."[121]

Panel Discussion

The Panel finds that common rates promote fairness and consistency across FEI's two remaining service areas. Further, we find that the proposal to move to common rates is consistent with the Bonbright principle of fair apportionment of costs among customers. The Panel agrees with FEI that common rates are suitable for FEFN's 2,400 customers given that they receive the same service from the same company's operations and management using similar assets as FEI's other one million plus customers. Therefore, it would be reasonable to expect FEFN customers to pay the same rates as FEI's other customers.

The Panel is persuaded that judgement is involved for allocating costs from FEI to FEFN under FEFN's current rates, leading to uncertainty as to whether the current FEFN rates reflect the true cost of service. Further, FEFN customers are receiving substantially similar service and FEFN is fully integrated with FEI, considering its operations and gas supply. Therefore, it is not unreasonable that FEFN's customers would pay the same rates for service as FEI's customers.

In our view, FEFN's geographic isolation and distinct gas supply do not impact the fairness of common rates to the extent that FNDCC/NRRM assert, and are instead appropriately accommodated by FEI's proposal to reduce the midstream rate for FEFN, which we discuss below in Section 3.0.

2.3 Adequacy of Consultation

In the Application, FEI states that its approach to consultation and engagement is to ensure that stakeholders are informed about the purpose and content of the Application and to provide an opportunity for feedback and to raise concerns.[122] FEI identified the following groups as potentially impacted by and/or who may have an interest in the Application:

- Fort Nelson customers;
- Municipal and regional government of Fort Nelson, including the Mayor, Council, City Manager and/or staff;

[120] Ibid., p. 26.
[121] FEI Reply Argument on Common Rates, p. 25.
[122] Exhibit B-1, p. 66.

- Industry and industrial associations, such as FNDCC and local community groups; and
- Indigenous groups in the Fort Nelson service area.[123]

FEI did not share information about the Application with FEI customers as part of its engagement planning process, given that the impact of the proposals to FEI customers is immaterial and considering the associated cost of performing specific consultation and engagement activities.[124]

As part of its initial consultation and engagement activities, FEI states that its Community and Indigenous Relations Manager contacted stakeholders in Fort Nelson as early as October 2020 to advise that FEI was in the process of developing a common rates application and to discuss the potential for holding a town hall.[125] FEI then ran an advertising campaign in March and April 2021 using relevant radio, newspaper and social media outlets to reach customers and the broader community of Fort Nelson.[126]

On April 27, 2021, FEI held a virtual town hall (originally scheduled for March 30, 2021 but cancelled due to limited registration), as advertised over the above-noted platforms. While FEI had originally considered hosting an in-person town hall in Fort Nelson, FEI found in the end that it did not make sense from a safety or logistical perspective to try to schedule an in-person town hall due to the COVID-19 pandemic and the resulting increased provincial restrictions at the time.[127]

In FEI's view, the April 2021 town hall was "successful" and "well attended," noting that 75 people registered for the event and 17 individuals attended the session, including representatives of FNDCC.[128] By comparison, FEI notes that only 13 people attended the in-person information session for common rates held in Fort Nelson in 2012.[129] FEI states that attendees at the April 2021 town hall were encouraged to provide feedback to FEI through an online survey, and the questions and commented posted to the online survey were incorporated into the Application and used as part of a FAQ posted on the FEI webpage dedicated to the Application, which went live on February 26, 2021.[130] Following the town hall, FEI met virtually with FNDCC to discuss the Application and gather feedback on the materials presented at the town hall and, responded directly to customer questions and to a request for information from the Regional Development Officer for NRRM.[131]

FEI also provided separate presentations to the Chief and Council of the Fort Nelson First Nation on May 18, 2021 and the Fort Nelson Regional Council on June 14, 2021.[132] FEI contacted another Indigenous group in the Fort Nelson service area, the Prophet River First Nation, for a presentation but had not received a response at the time of filing of the Application.[133]

As outlined above, FEI submits that its consultation activities have been reasonable and appropriate. FEI states that the Proposed Common Rate Option demonstrates an effective public consultation process and that FEI has considered stakeholder feedback. Specifically, Option 4 plus FEI's proposal to mitigate bill impacts to residential customers culminating in the Proposed Common Rate Option, which are discussed in Sections 3.0 and 4.1 respectively, was developed in response to the feedback received at the virtual town hall and Fort Nelson Regional Council meeting.[134]

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[123] Ibid., p. 67.
[124] Exhibit B-9, BCUC IR 17.1.
[125] Exhibit B-15, Q19, p. 10.
[126] Exhibit B-1, pp. 68–69.
[127] Exhibit B-17, BCUC IR 5.2.
[128] Exhibit B-1, pp. 2, 68; FEI Final Argument on Common Rates, pp. 49–51.
[129] Exhibit B-19, FNDCC/NRRM IR 1.1.
[130] FEI Final Argument on Common Rates, p. 49.
[131] Exhibit B-1, p. 68; Exhibit B-15, Q19, pp. 11.
[132] Exhibit B-15, Q19, p. 10.
[133] Exhibit B-1, p. 74.
[134] FEI Final Argument on Common Rates, pp. 51–52.

FEI also submits that this regulatory proceeding has provided ample opportunity for stakeholders to participate in the review of, and provide comments on, the common rates component of the Application. FEI notes that there have been two rounds of IRs on common rates, intervener evidence with IRs, and rebuttal evidence with further IRs. As well, all stakeholders have had the opportunity to file letters of comment and many chose to do so during this proceeding.[135]

Positions of the Parties

FNDCC/NRRM submit that FEI has not made reasonable efforts to demonstrate that moving to common rates is in the short-and long-term interest of ratepayers, both before the Application was filed and after.[136] In order to be satisfied with the pre-Application consultation, FNDCC/NRRM state they "needed FEI to be candid about the benefits and drawbacks of any proposed move to common rates," with the hope that the parties could come to the table and work out a mutually agreeable solution if any deficiencies were identified. Instead, FNDCC/NRRM submit that FEI provided a poorly advertised "sales pitch" at the virtual town hall for common rates options which are not the same as what FEI is ultimately proposing. In FNDCC/NRRM's view, there was a low level of response to the town hall because FEI failed to provide adequate notice and FEI should have returned to the community once it had developed the preferred common rates option, before filing this Application for approval to the BCUC.[137]

In reply, FEI submits that the evidence discusses how FEI's consultation was reasonable and how this regulatory proceeding has provided multiple opportunities for the public to participate in the review of this Application, including asking IRs, filing evidence and submitting argument.[138]

RCIA declined to provide any comment on the sufficiency or adequacy of FEI's consultations as it did not participate in the virtual town hall.[139]

Panel Discussion

The Panel finds that FEI's consultation on alternative rate design options to inform this Application was adequate. The April 2021 workshop included robust participation that exceeded previous community workshops, was well publicized and was offered in a virtual format that was appropriate during a global pandemic. In response to the consultation, FEI developed a common rate option in response to stakeholder input, namely Option 4, which includes setting FEFN's midstream rates equivalent to 5 percent of FEI's rates. This illustrated a willingness to listen to concerns of stakeholders and make efforts to accommodate them.

The Panel rejects FNDCC/NRRM's submission that the consultation was inadequate and that they "needed FEI to be candid about the benefits and drawbacks of any proposed move to common rates," with the hope that the parties could come to the table and work out a mutually agreeable solution if any deficiencies were identified. The Panel observes that adequacy of the consultation does not necessitate agreement by all stakeholders, nor does it provide any particular group of stakeholders with a right of veto. Rather, robust consultation entails serious consideration of the feedback and may include some element of accommodation of stakeholder interests in response to their input, something that FEI did with its formulation of Option 4 after consideration of the consultation feedback.

[135] Ibid., p. 53.
[136] FNDCC/NRRM Final Argument on Common Rates, pp. 43–45.
[137] FNDCC/NRRM Final Argument on Common Rates, p. 43.
[138] FEI Reply Argument on Common Rates, p. 43.
[139] RCIA Final Argument on Common Rates, p. 21.

Furthermore, the Panel finds that FEI's consultation of Indigenous peoples was adequate and achieved the necessary level of awareness and participation of the Fort Nelson First Nation. FEI also notified and invited input from the Prophet River First Nation in the FEFN service territory.

2.4 Panel Determination on FEI's Proposal to Move to Common Rates

In the previous section we addressed the three key objectives that FEI presents in support of its proposal to move FEFN to common rates and the submissions of the parties relating thereto. In the discussion below, we address any remaining parties' submissions regarding the appropriateness of moving to common rates for FEFN, followed by the Panel's determination on FEI's proposal.

Positions of the Parties

RCIA supports the move of FEFN to common rates, noting the impact to FEI ratepayers is negligible and that common rates are supported by regulatory principles and Bonbright principles, such as rate stability. RCIA views the reduction in regulatory costs to be one of the most tangible benefits of common rates as it represents a real reduction in costs for FEI and FEFN.[140] In RCIA's view, mitigating the negative impacts to FEFN residential customers is critical to addressing customers' understanding and acceptance of common rates.[141]

FNDCC/NRRM submit that FEI's proposal to move FEFN to common rates is unjust and unreasonable. They point to the following three factors in support of retaining separate rates for FEFN:

- the geographic and physical distinctiveness of FEFN's gas infrastructure, and the fact that most of the costs associated with FEFN's system flow from that infrastructure;
- the historical trends in Fort Nelson that have closed the gap between FEFN's and FEI's delivery rates are likely to reverse and exacerbate the rate impacts associated from FEI's proposed rates; and
- FEI's proposed capital spending outside of FEFN's service territory is likely to lead to common rate increases that FEFN would not experience if it stayed on a separate rate.[142]

Finally, FNDCC/NRRM submit that temporary rate mitigation should be considered separately from whether the proposed rate is just and reasonable because mitigation only shifts the timing of rate increases.[143]

FNDCC/NRRM conclude that these factors, "when considered together, weigh heavily against the conclusion that common rates for Fort Nelson would be just and reasonable. The distinct system serving FEFN ratepayers at a lower cost, coupled with the severe rate impacts anticipated to occur in both the short- and long-term, should be the Commission's primary considerations in rejecting the proposed rate. Government policy, regulatory efficiency, and FEI's vague claims of cross-subsidy are thin and do not override these primary considerations."[144]

FNDCC/NRMM submit that the Bonbright rate design principles do not support the move to common rates, noting that the second edition of Bonbright is clear in that there are three primary criteria for assessing proposed rate design: capital attraction, consumer rationing, and fairness to ratepayers. Since capital attraction and consumer rationing are not at issue in this proceeding, fairness to FEFN's ratepayers should be the Panel's paramount concern. FNDCC/NRRM consider that rate stability is of "somewhat lower rank," along with regulatory efficiency and provincial policy.[145]

140 RCIA Final Argument on Common Rates, p. 26.
141 Ibid., p. 27.
142 FNDCC/NRRM Final Argument on Common Rates, p. 15.
143 Ibid., p. 15.
144 Ibid., p. 16.
145 Ibid., pp. 7, 38–39.

In reply, FEI submits that FNDCC/NRRM's approach to the Bonbright principles is misguided and too rigid. In FEI's view, FEI's description of the Bonbright principles and how they should be applied in this proceeding is consistent with its past applications and with past BCUC decisions. Further, FEI argues that FNDCC/NRRM's consideration of regulatory efficiency, rate stability, public policy and rate mitigation is inappropriate because it gives them little to no weight, and is inconsistent with the Bonbright principles and previous BCUC decisions.[146]

Panel Discussion

In this section we consider the broad issue of the proposal to move FEFN to common rates. In our view, the evidence put forward by FEI supports a shift to common rates for FEFN ratepayers, even though FEFN residential customers will see a bill increase under all of the common rate options FEI proposes. Nonetheless, for the reasons outlined below, the Panel finds that the move to common rates for FEFN customers is appropriate at this time.

We have received submissions regarding the weight we should place, or avoid placing, on the various regulatory principles when evaluating FEI's proposal to move FEFN to common rates. FEI identifies three of these in particular as key objectives for moving FEFN to common rates: regulatory efficiency, rate stability and fairness and consistency of rates across all FEI ratepayers. As noted in our reasons above in Section 2.2, we agree with FEI that each of these three principles favour moving FEFN to common rates.

The fourth of FEI's key objectives for evaluating a move to common rates is to smooth-in any significant rate increases for FEFN residential customers resulting from the adoption of common rates. However, as we noted in Section 2.2, the Panel considers this to be a need that arises as a result of the move rather than an objective. In this regard, we agree with FNDCC/NRRM that this should be considered separately from whether common rates are just and reasonable, because temporary rate impact mitigation only shifts the timing of rate increases.

Having addressed the key objectives that FEI submits we should consider in evaluating its proposal to move to common rates, we now review what FNDCC/NRRM submit should be the primary consideration in this evaluation, namely, fairness to FEFN ratepayers, and specifically the distinct system serving FEFN ratepayers at a lower cost, coupled with the severe rate impacts anticipated to occur in both the short- and long-term. They also submit that rate stability, regulatory efficiency and public policy should be lesser considerations.

We reject FNDCC/NRRM's argument that fairness and rate impacts for residential customers should be our primary consideration, to the exclusion of other principles such as rate stability and regulatory efficiency. In our view, the evaluation of arguments for and against common rates in this Application should take into account all applicable regulatory principles and public policy considerations, instead of considering each in isolation or assigning priority to one over others.

In any event, even if we agreed with FNDCC/NRRM that fairness should be the primary consideration, we concluded in Section 2.2.4 that the application of this principle (which is more accurately described as 'fair apportionment of costs amongst ratepayers, and not, as FNDCC/NRRM describes, 'fairness to FEFN ratepayers') supports FEI's proposal to move to common rates. The Panel acknowledges the move to common rates results in a bill increase for FEFN residential customers; however, as noted by the Panel in Section 2.2.4, FEFN is fully integrated with FEI and FEFN customers receive substantially the same service as the rest of FEI's customers. Further, FEFN's distinct gas supply arrangements have been addressed by FEI's proposal to reduce the midstream rate for FEFN, which we discuss below in Section 3.0. These factors support a move to common rates, despite the resulting rate increase for FEFN residential customers. The Panel addresses whether the resulting rates under the FEI's proposed common rates option result in rates that are not unjust, unreasonable, unduly discriminatory or unduly preferential, in Section 3.0 below. Further, the Panel addresses FEI's proposals to mitigate the bill impact of moving to common rates for FEFN residential customers in Section 4.0 below.

[146] FEI Reply Argument on Common Rates, pp. 4, 7, 9–11.

In our view, the emphasis that FNDCC/NRRM place on retaining separate rates for FEFN's residential customers, which happen to be lower than FEI's rates for residential ratepayers, illustrates that they misunderstand the nature of this Application. The issue is not whether FEFN should maintain its current rates so much as whether a move to common rates will result in rates that are just and reasonable to FEFN customers. In fact, FEFN's current delivery rates may not be just and reasonable because, as we outlined in Section 2.2 above, FEFN rates are being cross-subsidized by FEI rates and due to the level of judgment inherent in the current allocation of shared costs, may not reflect FEFN's true cost of service were it a stand-alone entity.

In summary, the Panel finds a move by FEFN towards common rates is appropriate at this time, not only because of alignment with legislation and previous BCUC findings from other FEFN related applications, but also because this move provides fairness amongst all FEI customers across its service areas and improved regulatory efficiency and long-term rate stability. In the next section, we review the specific options for common rates that FEI evaluated and conclude with our determination of the preferred common rate option.

3.0 Evaluation of Common Rate Options

FEI evaluated the status quo and three common rate options against the four objectives described above in Section 2.2.[147] These options are described as Options 1 through 4 below:

- Option 1: Status quo;
- Option 2: Common Delivery Rates only;
- Option 3: Full Transition to Common Rates; and
- Option 4: Proposed Common Rate Option *before* any rate smoothing.

For the reasons set out in Section 2.4 above, the Panel finds FEI's proposal to move FEFN to common rates with FEI is reasonable, and therefore retaining the status quo (Option 1) is not viable. We review the remaining three options In greater detail below.

Option 2 - Common Delivery Rates Only

Under the option to have common delivery rates only, FEFN would no longer have a separate rate base, which would eliminate the need for separate FEFN RRAs and annual reporting. FEFN would however maintain its own cost of gas and midstream rates, which the BCUC reviews quarterly. FEI states that this option partially achieves the objective of eliminating regulatory costs and burden, achieves the objectives of long-term rate stability and avoids the rate impact of moving to common midstream rates; however, it only partially achieves the objective of fairness amongst all customers, as a disparity in cost of gas and midstream rates will remain.[148] Table 3 below shows the estimated average bill impact for the average FEFN customer of Option 2 as compared to the status quo in 2023:

Table 3: Estimated FEFN 2023 Average Bill Impact under Option 2 Compared to Status Quo[149]

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 ($)	FEFN Option 2 - Common Delivery Rate Bill Impact in 2023 ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	237	174	16.5%

[147] Exhibit, B-1, pp. 60–63.
[148] Ibid., pp. 47–49.
[149] Exhibit B-6, BCUC IR 11.3, Revised Table 5-6.

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 ($)	FEFN Option 2 - Common Delivery Rate Bill Impact in 2023 ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Small Commercial RS 2	335	191	(115)	(305)	-10.1%
Large Commercial RS 3	6,375	2,486	26	(2,460)	-5.3%

<u>Option 3 - Full Transition to Common Rates</u>

Under the option for a full transition to common rates, FEFN would transition to FEI's delivery, cost of gas and midstream rates. According to FEI, this option achieves the first three objectives of eliminating regulatory costs and burden, providing long-term rate stability, and achieving fairness to all customers. However, the rate impact of this option is higher than the other options due to the difference between FEFN and FEI's midstream rates. In addition, the unitized costs related to FEFN's current gas supply portfolio are significantly lower than those for FEI's current gas supply portfolio, because FEFN's load balancing requirements are met through the use of unique commodity supply arrangements and the relatively low cost for the short-haul transportation service; in contrast, FEI holds considerable storage and transportation resources in its midstream portfolio in order to meet the seasonal and daily natural gas supply and load balancing requirements for the Mainland and Vancouver Island service area sales customers.[150] A full transition to common rates would see FEFN customers lose the benefit of lower costs unique to its territory. Table 4 below shows the estimated average bill impact for the average FEFN customer of Option 3 as compared to the status quo in 2023:

Table 4: Estimated FEFN 2023 Average Bill Impact under Option 3 Compared to Status Quo[151]

	Avg. UPC (GJ)	FEFN Option 1 - Status Quo Bill Impact in 2023 ($)	FEFN Option 3 - Full Common Rate Bill Impact in 2023 ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only ($)	FEFN Incremental Bill Impact in 2023 due to Common Rates Only (%)
Residential RS 1	125	63	392	329	31.2%
Small Commercial RS 2	335	191	309	118	3.9%
Large Commercial RS 3	6,375	2,486	6,618	4,131	9.0%

<u>Option 4 - Common Delivery and Cost of Gas Rates with the Midstream Rates set at 5 percent of FEI's Midstream Rates *before* any rate smoothing</u>

In acknowledgement that gas supply portfolio costs are significantly lower for FEFN than FEI, FEI developed a fourth option. Under this option, FEFN customers would move to common delivery and cost of gas rates with FEI, while maintaining FEFN's midstream rates at 5 percent of FEI's midstream rates. FEI states that this approach would achieve the benefits of common delivery rates and transition FEFN customers to a common cost of gas rate with FEI, without the significant bill impact of a full transition to common rates. FEI considers the impact to the average FEI residential customer as negligible, in that the cumulative impact to a customer consuming 90 GJs per year would be $0.15 over a 10-year period.[152]

Table 5: Estimated FEFN 2023 Average Bill Impact under Option 4 Compared to Status Quo[153]

[150] Exhibit B-1, pp. 49–51.
[151] Exhibit B-6, BCUC IR 11.3, Revised Table 5-9.
[152] Exhibit B-1, p. 54.
[153] Exhibit B-6, BCUC IR 11.3, Revised Table 5-14.

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

The 5 percent in relation to the midstream rate is based on several factors, including the current difference between FEI and FEFN's midstream rates, and the average historical difference in midstream rates.[154] As FEI has previously secured for FEFN a unique gas supply arrangement, FEI is proposing a midstream rate that will allow FEFN customers to continue to benefit from the low cost of this gas supply.

FEI describes its proposal to implement a midstream rate for FEFN customers at 5 percent of FEI's midstream rate as a reasonable approximation of FEFN's historical midstream rate, noting that due to "the manner in which FEFN physically receives gas and its proximity to the Fort Nelson plant, FEFN's midstream rates have historically been lower than FEI. This has historically been a key point of FEFN customers' opposition to moving to common rates."[155]

FEI considers the impact to the average FEI residential customer of the 5 percent cap for FEFN customers will be negligible, in that the cumulative impact to an FEI customer consuming 90 GJs per year will be $0.15 over a 10-year period.[156] Therefore, the 5 percent midstream rate for FEFN customers is a reasonable exception to the postage stamp rate approach given the disparity between FEFN and FEI's midstream resources.[157]

FEI recommends Option 4 because it best achieves the objectives of moving to common rates for FEFN. Under this option, small and large FEFN commercial customers will benefit with immediate savings in their bills. FEI further proposes to mitigate the bill increase for residential customers through a 10-year phase-in approach through a delivery rate rider, which is discussed in Section 4.1.[158] FEI notes that the impact to FEI's customers due to common rates under any of the options is negligible for all rate classes.[159]

Positions of the Parties

Interveners do not comment on the specific options that FEI considered, and instead offer their assessment of the move to common delivery, cost of gas and midstream rates for FEFN.

RCIA notes that FEI received feedback during its consultation process that it would be unacceptable to FEFN customers to pay the same midstream rates that customers in the Lower Mainland and Vancouver Island pay, considering some or all their gas supply comes from the Fort Nelson plant. FEI responded to this feedback by crafting Option 4, which incorporates 5 percent of FEI's midstream rates instead of the full midstream rates. In doing so, RCIA recognizes that FEI was mindful of the Bonbright principle of "customer understanding and acceptance." Based on the questions submitted to FEI during consultation, RCIA submits that FEFN customers

[154] Exhibit B-1, p. 52.
[155] FEI Final Argument on Common Rates, p. 38.
[156] Exhibit B-1, p. 54.
[157] FEI Final Argument on Common Rates, p. 31.
[158] Exhibit B-1, pp. 56–58.
[159] Exhibit B-6, BCUC IR 11.1, Table 3.

would likely not have seen common midstream rates as cost-based, considering their proximity to the Fort Nelson gas plant.[160]

FNDCC/NRRM note that the midstream and cost of gas portions of the Application do not appear to be the main drivers of FEI's efforts to move FEFN to common rates and therefore, should the BCUC find that the proposed common delivery rate is unjust or unreasonable, there appears to be little reason to move FEFN to a common midstream or cost of gas rates.[161]

Further, FNDCC/NRRM note that even under common rates, FEI will continue to contract separately for FEFN's physical supply and transportation capacity to bring this supply to Fort Nelson and argue that this fact weighs against moving FEFN to any form of common rate.[162] FNDCC/NRRM submit that FEI provides little support to demonstrate that common cost of gas rates would provide incremental value for FEFN customers beyond the costs already directly allocated from FEI to FEFN. FEFN pays a direct allocation of certain costs from the FEI overall gas supply portfolio and likely benefits from FEI's economies of scale. FNDCC/NRRM argue that FEFN is entitled to those benefits because FEFN contributes to FEI's scale.[163] In the Application, FEI demonstrates that FEI's cost of gas rate is estimated to be lower than FEFN's cost of gas rate in 2023.[164]

Concerning the setting of FEFN's midstream rate at 5 percent of FEI's midstream rate, FNDCC/NRRM acknowledges that this appears to reasonably approximate rates currently charged to FEFN customers. FNDCC/NRRM note that FEI intends to track FEFN gas supply costs separately and would consider a revised approach in the future should it determine that a material difference exists between the cost of service and the rates charged to FEFN customers. Thus, FNDCC/NRRM submit that there appears to be little reason to move FEFN to common midstream and cost of gas rates independent of delivery rates.[165]

Panel Determination

FEI presents four rate design options: the status quo option and three others ranging from a partial implementation to a full transition to common rates and an analysis of the impact of each. FEI recommends Option 4, which includes FEFN transitioning to common delivery and cost of gas rates while maintaining FEFN's midstream rates at a level consistent with what FEFN is currently being charged, namely, 5 percent of FEI's midstream rates. FEI argues that this option will achieve the benefits of common delivery rates and transition FEFN customers to a common cost of gas rate with FEI without the significant negative bill impact to FEFN customers from a full transition to common rates. The Panel agrees.

The Panel finds that Option 4 provides a just, reasonable and not unduly discriminatory or unduly preferential rate design for FEFN customers, because it achieves a balanced compromise to maximize the benefits of common rates across the FEI customer base while avoiding the significant bill impact for FEFN customers under the alternative of a full transition to common rates. Further, this option reflects FEFN's proximity to gas supply in its service area as well as its own unique gas supply arrangement.

We base our determination on three key factors: regulatory efficiency, cost causation and transitional bill impacts on FEFN customers.

Under Option 2 (common delivery rates only) FEI would retain the internal costs associated with the separate quarterly and annual reporting that FEI makes to the BCUC for FEFN commodity and midstream charges. In

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160 RCIA Final Argument on Common Rates, p. 21.
161 FDNCC/NRMM Final Argument on Common Rates, p. 42.
162 Ibid., p. 42.
163 FDNCC/NRMM Final Argument on Common Rates, p. 42.
164 Exhibit B-1, Section 5.3.5.2, Table 5-13, p. 55.
165 FDNCC/NRMM Final Argument on Common Rates, p. 42.

addition, a disparity in cost of gas and midstream rates would remain. Therefore, this option only partially achieves the objective of ensuring fairness amongst all customers.

Options 3 and 4 would eliminate FEFN-specific regulatory costs. As outlined above in Section 2.2.1, FEI estimates that it subsidizes internal FEFN regulatory costs each year by an amount between $32,000 and $146,000 (before capitalized overhead). FEI also considers that external regulatory costs have been a material factor in FEFN's approved revenue requirement, contributing approximately 31.8 percent to FEFN's average delivery rate increases in the last ten years. Eliminating internal regulatory costs will help to improve fairness for FEI customers related to cross-subsidization of FEFN's regulatory costs and eliminating external regulatory costs will help to improve rate stability.

Option 4 most closely reflects the principle of cost causation, by setting the midstream rate for FEFN at a level that considers FEFN's proximity to natural gas resources. Option 4 also minimizes FEFN customer bill impacts resulting from the transition to common rates. It includes the lowest estimated 2023 bill increase for residential customers (15 percent, as compared to 31 percent for Option 3 and 17 percent for Option 2) and the largest bill reduction for small and large commercial customers.

The 5 percent multiplier provides a simple methodology for determining FEFN midstream rates based on FEI's current midstream rate, which supports customer understanding. The Panel agrees with the FEI's proposed inclusion of the current difference between FEI and FEFN midstream rates and the average historical difference in midstream rates. The average rate impact on FEI customers of providing this discount is negligible. The Panel is satisfied with FEI's proposal to track FEFN gas supply costs separately so that the BCUC may consider a revised approach in the future should it determine that a material difference exists between the cost of service and the rates charged to FEFN customers because of this discounted midstream rate.

For the reasons outlined above, **FEI is approved to implement common delivery and cost of gas rates for FEFN and FEI, and to set FEFN's midstream rates at 5 percent of FEI's midstream rates, effective January 1, 2023, subject to any other directives contained in Section 4.0 of the decision.**

4.0 Making Common Rates Work

Having approved Option 4 in the section above, the Panel now addresses various measures for making Option 4 work. These include: bill impact mitigation for residential customers, deferral account and rate schedule changes, the implementation date and other matters.

4.1 Measures to Mitigate Bill Impacts for Residential Customers

FEI estimates that moving to common rates under Option 4 will provide annual bill savings to FEFN's small and large commercial customers of $350 (-11.6 percent) and $3,327 (-7.2 percent) in 2023. At the same time, residential customers will see an incremental bill increase in 2023 of $157 ($174 for the delivery portion, offset by savings of $17 from the cost of gas and midstream portions), which represents an increase of 14.9 percent, without any rate smoothing. These bill impacts are summarized in the table below:[166]

Table 6: Estimated FEFN 2023 Average Bill Impact under Option 4 Compared to Status Quo

[166] Exhibit B-1, p. 55; Exhibit B-6, BCUC IR 11.3, Revised Table 5-14.

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

To mitigate the bill impact for FEFN residential customers of moving to common rates, FEI proposes to phase-in common delivery rates for residential FEFN customers over 10 years, through the Residential Customer Common Rate Phase-in Rate Rider and associated deferral account.

The Residential Customer Common Rate Phase-in rate rider will apply to residential customers only while FEFN's commercial customers will fully transition to common delivery rates in 2023. In addition, FEI clarifies that the proposed phase-in is only applicable to delivery rates and not the cost of gas rates, since FEI expects that there will be a minimal bill impact (positive or negative) associated with the move to common cost of gas rates.[167] Further, FEI proposes to set the actual phase-in rate rider each year in FEI's annual review based on an updated forecast of FEFN's residential customer demand and the remaining balance of the deferral account each year for the 10-year period.[168]

Rather than creating a new deferral account to facilitate the phase-in, FEI proposes to add the revenue deficiency created by phasing in residential delivery rates over 10 years as an offset to the existing credit balance in the FEFN 2021 Revenue Surplus deferral account and to rename the account the FEFN Residential Customer Common Rate Phase-in deferral account. By way of background, as part of the FEFN 2021 RRA Decision[169] the BCUC approved the new FEFN 2021 Revenue Surplus deferral account to capture the forecast 2021 revenue surplus of $132,000 and any BCUC direct costs related to the review of that application, with the amortization or recovery mechanism to be determined in FEFN's next RRA. The forecast credit balance at the end of 2022 is $94,000.[170] This means that the credit balance in the FEFN 2021 Revenue Surplus deferral account would be refunded to FEFN residential customers only over a period of 10 years, as a component of the Residential Customer Common Rate Phase-in Rate Rider.

FEI states that it is appropriate to refund the ending December 31, 2022 balance of the FEFN 2021 Revenue Surplus deferral account to FEFN residential customers only, as they will experience a bill increase because of the transition to common rates, while FEFN's commercial customers will experience savings on their bills. [171] As an alternative, FEI isn't opposed to returning the entire 2021 revenue surplus to FEFN's customers (residential only or all customer classes) immediately in 2023 instead of over a 10-year period.[172] However, FEI notes that applying the revenue surplus to all customer classes would result in even greater savings for FEFN's commercial customers due to common rates and higher negative bill impacts to FEFN's residential customers.[173] FEI submits that it is important and equitable to prioritize minimizing the negative bill impact to FEFN's residential customers.[174]

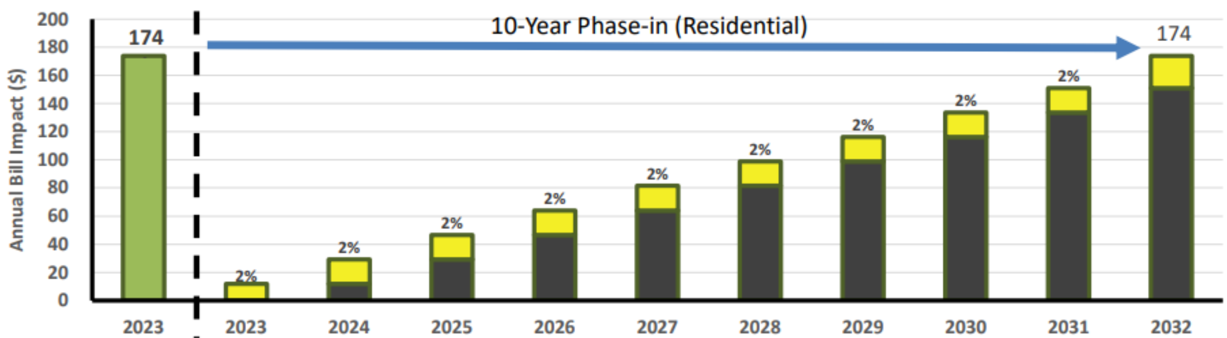
[167] Ibid., Section 5.5, p. 58, Section 7.1.4.4, p. 81.
[168] Ibid., Section 7.1.4.4, p. 82.
[169] FEI Application for Approval of Deferral Account Treatment for 2021 and Changes to the Revenue Stabilization Adjustment Mechanism Rider for the Fort Nelson Service Area, Decision to Order G-78-21 dated March 16, 2021 (FEFN 2021 RRA Decision), p. 9.
[170] Exhibit B-1, Section 7.1.4.4, p. 81.
[171] Ibid.
[172] Exhibit B-6, BCUC IR 30.2.
[173] FEI Final Argument, pp. 25 and 42.
[174] Ibid., pp. 35 and 42; Exhibit B-5, FNDCC/NRRM IR 6.3.

With the measures described above, the bill impact for FEFN residential customers in 2023 is a forecast savings of $5 (-0.5 percent) and the average bill impact of each subsequent year is an increase of $17 (2.0 percent),[175] as shown in the table and figure below:

Table 7: Estimated FEFN 2023 Average Bill Impact under the Proposed Common Rate Option (with FEFN's Residential Phase-in Credit Rider) Compared to Status Quo[176]

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

Figure 2: Illustration of 10-year Phase-in Rider for an Average FEFN Residential Customer[177]



The cumulative amortization to FEI's delivery rates of the proposed FEFN residential phase-in rate rider over a 10-year period is approximately $1,078,000,[178] which is equivalent to a one-time delivery rate impact of approximately 0.12 percent when compared to FEI's approved 2021 delivery rates.[179] The carrying costs associated with the proposed phase-in deferral account accumulates to approximately $54,000 over a 10-year period.[180]

Table 8 below sets out the total incremental bill impact in 2023 for FEFN's residential customers due to the move to common rates, under various phase-in periods (including FEFN's 2021 revenue surplus):

[175] Exhibit B-6, BCUC IR 11.3; Exhibit B-1, Figure 5-3, p. 59.
[176] Exhibit B-6, BCUC IR 11.3, Table 4.
[177] Exhibit B-1, Figure 5-3, p. 59.
[178] Exhibit B-1, Section, 5.5, p. 58, Section 7.1.4.4, pp. 81–82; Exhibit B-7, FNDCC/NRRM IR 16.2, revised Table 5-17, Line 22.
[179] Exhibit B-7, FNDCC/NRRM IR 16.2, revised Table 5-17, Line 23.
[180] Ibid., Sum of Line 16.

Table 8: FEFN Residential Customer 2023 Bill Impact due to Common Rates under Various Phase-in Periods (Including FEFN's 2021 Revenue Surplus)[181]

Phase-in Scenarios	No Phase-in (As Filed)	3-year	5-year	7-year	10-year (As Filed)
Option 4 - Common Delivery & COG w/ Midstream @ 5% of FEI					
Incremental 2023 Bill Impact due to Common Rates Only ($)	157	16	5	(0)	(5)
Incremental 2023 Bill Impact due to Common Rates Only (%)	14.9%	1.5%	0.5%	0.0%	-0.5%

FEI states that the bill impact to FEFN's residential customers would be higher under shorter phase-in periods (i.e. three or five years) but intergenerational inequity may be minimized. Conversely, longer phase-in periods (i.e., seven or ten years), will result in more gradual bill impacts for residential customers but may increase intergenerational inequity.[182] Overall, FEI believes that the proposed 10-year amortization will cause only minimal intergenerational inequity, even if FEFN's customer base continues to decline as expected. FEI believes that overall, the proposed 10-year amortization of the Residential Customer Common Rate Phase-in Rate Rider is the most equitable approach because it minimizes the rate increase for FEFN residential customers from moving to common rates while potentially creating only minimal intergenerational inequity.[183]

Notwithstanding FEI's proposal for a 10 year phase-in period, FEI states that it is amenable to shorter or longer phase-in periods.[184] FEI states that extending the proposed phase-in for FEFN's residential customers to 15 or 20 years will keep their delivery rates similar to FEFN's status quo scenario over a longer period of time; however, given the small customer base of FEFN compared to FEI, FEI states that the delivery rate impact to FEI will be negligible regardless of whether the phase-in is 10 years, 15 years, or 20 years.[185]

Positions of the Parties

FNDCC/NRRM submit that if the BCUC is inclined to move FEFN to common rates, it should only do so if, among other things, FEI is required to implement the residential rate rider for 20 years, and the 2021 FEFN revenue surplus should also be refunded directly to FEFN ratepayers rather than being used for rate smoothing.[186]

Without any rate smoothing of residential bill impacts, RCIA states that it would not support the transition to common rates. RCIA also recommends a 20-year phase-in period to reduce the bill impacts to residential FEFN customers. A 20-year phase-in period will also increase the subsidy from FEI ratepayers to FEFN residential ratepayers, which is generally to be avoided but, in this case, RCIA views it as acceptable.[187] However, RCIA supports the use of the 2021 FEFN revenue surplus to help smooth the residential bill impacts of moving to common rates, noting that the substantial benefit to FEFN commercial customers may not arise without the transition to common rates.[188]

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[181] Exhibit B-6, BCUC IR 30.1; Exhibit B-11, RCIA IR 11.1: FEI clarifies the proposed phase-in for FEFN's residential customers is associated with the delivery rates only. The total bill impacts provided for 2023 above include common delivery rates, common commodity rates, and midstream rates set at 5 percent of FEI's midstream rates. Based on the 2022 gas costs for FEFN and FEI in the 2021 Second Quarter Gas Cost Report, the FEFN commodity rate is slightly higher than the FEI commodity rate, which results in the small savings of $5 in 2023 for FEFN's residential customers. Depending on FEFN's commodity rate relative to FEI's commodity rate, the actual impact could be slightly favourable or unfavourable.
[182] Exhibit B-6, BCUC IR 30.1.
[183] Ibid., BCUC IR 30.3.
[184] Exhibit B-6, BCUC IR 30.1 and 30.3.
[185] Exhibit B-17, BCUC IR 3.3.
[186] FNDCC/ NRRM Final Argument on Common Rates, p. 46.
[187] RCIA Final Argument on Common Rates, pp. 22–25.
[188] Ibid., pp. 23–24.

In reply, FEI states that it is amenable to a 20-year phase-in.[189] With regards to the FEFN 2021 Revenue Surplus deferral account, FEI notes that under its proposed approach, the balance will be returned to FEFN customers only, albeit only to residential customers.[190]

Panel Determination

FEFN is directed to phase in the bill impact for FEFN residential customers of moving to common delivery rates with FEI, over a period of 5 years. To facilitate this phase-in, the Panel approves the following for FEI:

- **The establishment of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider, effective January 1, 2023.**
- **The renaming of the existing FEFN 2021 Revenue Surplus deferral account to the FEFN Residential Customer Common Rate Phase-in deferral account. FEI is approved to record the revenue deficiency at January 1, 2023 which results from the phasing in of residential delivery rates over 5 years in the FEFN Residential Customer Common Rate Phase-in deferral account, as an offset against the existing credit balance related to the 2021 FEFN revenue surplus.** The sum of these two amounts results in an amount to be collected from ratepayers.
- **The balance of the FEFN Residential Customer Common Rate Phase-in deferral account at January 1, 2023 is to be collected from FEFN residential customers over a period of five years through the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.**

The Panel supports a gradual implementation of common rates, to balance the need to minimize the bill impacts to FEFN residential customers due to the transition to common delivery rates with mitigating the risk of intergenerational equity. In our view, a five-year phase-in period achieves an appropriate balance and aligns with the Bonbright principle of customer acceptance. The Panel is not persuaded by the interveners' submissions for longer phase-in periods, noting that this would increase the risk of intergenerational inequity, increase subsidies from FEI to FEFN residential customers and potentially increase carrying costs on the phase-in deferral account.

FEFN's commercial customers will already experience bill savings as a result of the move to common rates, and therefore we are satisfied that it is appropriate, in this case, to use the 2021 revenue surplus in the FEFN 2021 Revenue Surplus deferral account to offset the bill impacts for FEFN residential customers of moving to common rates. Further, the Panel has determined that it is appropriate to refund the balance of the existing FEFN 2021 Revenue Surplus Deferral Account to residential customers over five years rather than immediately in order to mitigate the significant bill impacts of moving to common rates. In our view, using the FEFN revenue surplus in this way is effectively the same as a direct refund to the affected customers.

The Panel approves FEI to establish, for BCUC review, the actual Fort Nelson Residential Customer Common Rate Phase-in Rate Rider each year in FEI's regulatory review process to set delivery rates, commencing in 2023, based on an updated forecast of FEFN's residential customer demand and the remaining balance of the deferral account each year for the five-year phase-in period.

4.2 Amalgamation of FEFN's Gas Cost Portfolios

As approved by the Panel in Section 3.0 of this decision, Option 4 includes setting FEFN's midstream rate at 5 percent of FEI's midstream rates and establishing common cost of gas rates for FEFN and FEI. FEI sets out five steps to accomplish this transition which require the BCUC's approval:

[189] FEI Reply Argument on Common Rates, p. 44.
[190] Ibid., p. 45.

1. Amalgamate the cost of FEFN's natural gas supply portfolio with the cost of FEI's natural gas supply portfolio by transferring the closing December 31, 2022 balance of FEFN's existing Gas Cost Reconciliation Account (GCRA) to FEI's existing MCRA as a January 1, 2023 opening balance adjustment;
2. Eliminate FEFN's GCRA;
3. Starting January 1, 2023, capture all of FEFN's natural gas supply portfolio costs, including FEFN's cost of gas, transportation and storage costs, in FEI's MCRA;
4. Starting January 1, 2023, offer FEFN customers the same cost of gas rate as FEI, with the recoveries of the cost of gas rate from FEFN customers captured in FEI's MCRA; and
5. Starting January 1, 2023, set FEFN's midstream rates based on 5 percent of FEI's midstream rates which are a level similar to FEFN's current and historical midstream rates.[191]

In 1991, FEI proposed and was approved by the BCUC to establish a GCRA for all FEI regions to capture all gas costs.[192] In 1993, FEI undertook a delivery rate design application, where it proposed and the BCUC approved postage stamp rates for the Lower Mainland, Inland and Columbia regions.[193] Fort Nelson was excluded from that application. In 1993, the BCUC approved the consolidation of the Lower Mainland, Inland and Columbia divisions for regulatory purposes.[194] Subsequently, in 2004, at the request of the BCUC, the GCRA was separated into two portfolios, the Commodity Cost Reconciliation Account (CCRA) and the MCRA, to facilitate the implementation of the Customer Choice Unbundling program.[195] Since FEFN was excluded from both postage stamp rates and the separation of FEI's GCRA, it has retained its own GCRA to capture gas costs. Variations in FEFN's cost of gas are captured in FEFN's GCRA and recovered from FEFN customers through amortization of FEFN's GCRA balance.

To transition FEFN to common rates, FEI's proposal is to record FEFN's GCRA balance in FEI's MCRA and to recover this balance from both FEI and FEFN customers through midstream rates. However, FEFN customers will only be allocated 5 percent of FEI's midstream costs. FEI notes this creates a variance between what FEFN customers currently pay towards the GCRA balance and the proportion of those costs it will pay after the GCRA balance is absorbed into FEI's MCRA. FEI reasons that from historical analysis and due to FEFN's relatively smaller customer base, it expects the variance to be small and have a negligible impact on FEI's customers.[196]

FEI states that its proposed accounting treatment is consistent with the amalgamation of Revelstoke's propane supply portfolio costs into FEI's MCRA, which the BCUC approved in the Revelstoke Propane Portfolio Cost Amalgamation Decision.[197] The only difference between the proposed treatment of FEFN's transition to common cost of gas rates and Revelstoke's approved treatment is that Revelstoke's midstream rates are now equal to FEI's, whereas FEFN's midstream rates are proposed to be 5 percent of FEI's midstream rate. Like Revelstoke, FEI proposes to capture FEFN's natural gas supply portfolio costs in FEI's existing MCRA, as natural gas purchases for FEFN are shaped to the relative seasonal consumption, in a manner similar to how FEI currently captures the costs for seasonal shaping in FEI's natural gas supply in the MCRA.[198]

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[191] Exhibit B-1, Section 5.3.5.1, p. 52. FEI based the 5 percent on a number of factors, including the current difference between FEI and FEFN's midstream rates, and the average difference in midstream rates historically.
[192] BC Gas Inc. Gas Cost methodology/Rate Design Application Order G-22-92 dated February 21, 1992.
[193] BC Gas Utility Ltd. Phase B Rate Design Application (Phase A-Gas Cost Methodology) Decision and Order G-101-93 dated October 25, 1993.
[194] BC Gas Rate Design Phase B Application Decision and Order G-68-93 dated August 13, 1993.
[195] Exhibit B-1, p. 12.
[196] Exhibit B-1, pp. 53–54.
[197] FEI Revelstoke Propane Portfolio Cost Amalgamation Application, Order G-245-20 with Reasons for Decision dated October 1, 2020.
[198] Exhibit B-1, p. 52.

FEI's existing CCRA will continue to capture the volumetric purchases for baseload gas over 365 days per year.[199] Also, the proposed change involves only the accounting treatment of FEFN's natural gas portfolio. FEI clarifies that the way in which the physical natural gas supply for FEFN is planned and managed will remain the same.[200]

Positions of the Parties

Interveners do not comment on FEI's proposals regarding the amalgamation of FEFN's gas cost portfolios.

Panel Determination

The Panel finds the transitional steps to transfer the FEFN gas cost accounts to FEI under the Option 4 to be reasonable. The Panel is satisfied that the amalgamation of the two FEFN gas commodity reconciliation accounts into one midstream account is justified on the basis that Fort Nelson demand is more aligned with a midstream commodity rather than baseload supply given its seasonal patterns. While the previous FEFN rate design had both the baseload and seasonal gas supply in one commodity charge, it is necessary to move the seasonal gas component to midstream to implement the Proposed Common Rate Option.

The Panel observes that the FEFN GCRA balance could be positive or negative prior to the establishment of common rates. **The Panel approves FEI's proposal to transfer the closing December 31, 2022 balance of FEFN's GCRA to FEI's MCRA as an opening balance adjustment, effective January 1, 2023.** The Panel received no comments or evidence that would challenge this proposal. Moving the balance into FEI's MCRA is a reasonable step to avoid maintaining a legacy FEFN account following the move to common rates.

In addition to the above approval, **the Panel also approves the following**:

1. **The elimination of the FEFN's GCRA, following the transfer of the closing balance into FEI's MCRA.**
2. **Starting January 1, 2023, FEI's MCRA will capture all of FEFN's natural gas supply portfolio costs including transportation costs.**
3. **Starting January 1, 2023, FEI will charge FEFN customers the same cost of gas rate as FEI customers, and FEI's MCRA will capture the recoveries of the cost of gas rate from FEFN customers.**

4.3 Existing FEFN Deferral Accounts

FEFN currently has 12 rate base deferral accounts and three non-rate base deferral accounts.[201] The following table summarizes the FEI's requested changes to FEFN's existing deferral accounts:

Table 9: Consolidation/Transfer of FEFN's Existing Deferral Accounts to FEI[202]

[199] Ibid., p. 52.
[200] Ibid., p. 54.
[201] Excluding the FEFN Common Rates and 2022 Revenue Requirements Application Costs deferral account established by Order G-114-22.
[202] Exhibit B-1, Table 7-1, pp. 79–80.

	FEFN's Existing Deferral Accounts	Notes
Consolidation with FEI's existing deferral accounts	**Rate Base Deferrals:** • Revenue Stabilization Adjustment Mechanism (RSAM) • Interest on RSAM • Gas Cost Reconciliation Account (GCRA) • Demand-Side Management (DSM) • 2017 Rate Design Application • Gains and Losses on Asset Disposition • Net Salvage Provision/Cost • COVID-19 Customer Recovery Fund **Non-Rate Base Deferral:** • Demand-Side Management (DSM)	• These deferral accounts will be consolidated with FEI's existing deferral accounts with the same name, except for the GCRA. • FEFN's GCRA will be consolidated with FEI's existing MCRA deferral account as discussed in Section 5.3.5.1. • Assuming common rates are implemented for January 1, 2023, consolidation will result in the closing balance of FEFN's deferral accounts on December 31, 2022 being transferred to FEI's existing deferral account with the same name as an opening balance adjustment on January 1, 2023.
	FEFN's Existing Deferral Accounts	**Notes**
Consolidate into a single deferral account and transfer to FEI	**Rate Base Deferrals:** • Property Tax Variance • Interest Variance • Billing System Costs for FEFN Rate Changes (per FEI's 2016 Rate Design Application)	• These deferral accounts are specific to FEFN. FEI does not have similar accounts for the same purpose or with the same name. • The forecast balance of these three accounts at December 31, 2022 is $9 thousand. Given the relatively small balance, FEI proposes to consolidate these three deferral accounts into one, named "FEFN Transitional Balance" deferral account, and transfer to FEI with an amortization period of one year. Please refer to Section 7.1.4.2 for more details.
Transfer to FEI as separate deferral accounts	**Non-Rate Base Deferral:** • FN Right-of-Way Agreement • FEFN 2021 Revenue Surplus	• These deferral accounts are specific to FEFN. FEI does not have similar accounts for the same purpose or with the same name. • These FEFN deferral accounts will be transferred to FEI as new deferral accounts (renamed with "FEFN" added to the existing name). • For the FN Right-of-Way Agreement deferral account, FEI will request disposition in a future proceeding (please refer to Section 8.6.4.2 for more details on the status of the agreement). • As discussed in Section 5.5, FEI proposes to use the remaining credit balance at the end of 2022 of the non-rate base FEFN 2021 Revenue Surplus deferral account towards the FEFN Residential Common Rate Phase-in Rate Rider. Please refer to Section 7.1.4.4 below for further details.

Panel Determination

Based on the evidence filed in this proceeding, **the Panel finds the following requests to be reasonable and orders as follows:**

(i) FEI is approved to transfer the December 31, 2022 closing balance of the following FEFN deferral accounts to the existing FEI deferral account with the same name, effective January 1, 2023:

- **a. Interest on RSAM deferral account;**
- **b. Each of the Rate base and Non-rate Base Demand-Side Management deferral accounts;**
- **c. 2017 Rate Design Application deferral account;**
- **d. Gains and Losses on Asset Disposition deferral account;**
- **e. Net Salvage Provision/Cost deferral account; and**
- **f. COVID-19 Customer Recovery Fund deferral account;**

(ii) FEI is approved to consolidate the December 31, 2022 closing balance of the following FEFN deferral accounts into one deferral account titled the FEFN Transitional Balance deferral account, and to transfer the newly created account to FEI, effective January 1, 2023, with an amortization period of

one year: Property Tax Variance , Interest Variance and Billing System Costs for FEFN Rate Changes deferral accounts; and

(iii) **FEI is approved to transfer the December 31, 2022 closing balance of the FN Right of Way Agreement deferral account to FEI effective January 1, 2023, with the disposition to be determined as part of a future FEI proceeding.**

Interveners did not raise any issues with respect to the above-noted deferral accounts.

The changes with respect to FEFN's GCRA and 2021 Revenue Surplus deferral accounts are addressed separately in Sections 4.2 and 4.1 of this decision. The proposals to consolidate FEFN's RSAM Deferral Account with FEI's existing deferral account with the same name and to transfer the FEFN Common Rates and 2022 Revenue Requirement Application Costs Deferral Account to FEI are discussed in the following subsections.

4.3.1 FEFN RSAM Deferral Account

As noted in Table 9 above, FEI proposes to consolidate the existing FEFN Revenue Stabilization Adjustment Mechanism (RSAM) deferral account balance at December 31, 2022 with FEI's existing RSAM deferral account as an opening balance adjustment on January 1, 2023. FEI proposes to refund or recover the balance (depending upon whether there is a credit or debit) of the FEFN RSAM to or from all FEI customers in 2023 and 2024.[203]

Under common rates, FEI does not believe it is appropriate to maintain a separate RSAM account for FEFN customers, nor does it believe it is appropriate to recover/refund the December 31, 2022 balance in FEFN's RSAM account from FEFN customers only. FEI submits thatit is not appropriate (although possible) to maintain FEFN's RSAM deferral account separately from FEI indefinitely beyond 2022, because:

(i) It would be inconsistent with the treatment applied to all other FEI regions;

(ii) It contradicts the principle of common rates; and

(iii) Considering FEFN's historical RSAM rate riders and RSAM balance changes, it would create a certain degree of rate instability for FEFN's customers, which defeats one of the objectives of common rates.

Therefore, FEI states it is logical that the RSAM deferral account and rate rider should be common between FEI and FEFN, together with other components of the revenue requirement that make up FEI's delivery rates.[204]

FEI states that if the FEFN RSAM deferral account balance at December 31, 2022 is in a debit position (recovery from customers) then it would have a much larger negative impact on FEFN's customers than if the balance were to be absorbed into FEI's RSAM deferral account.[205]

Positions of the Parties

FNDCC/NRRM submit that if common rates are approved, any over-collection from FEFN ratepayers that has accrued in the RSAM account should be refunded to FEFN ratepayers only, to avoid any prejudice arising from forecasting errors.[206] More specifically, they submit that any over-collection should be retained in a separate deferral account following amalgamation.[207]

In its final argument, FEI explains the material downsides of this approach:[208]

[203] Exhibit B-1, p. 79; FEI Final Argument, p. 43.
[204] Exhibit B-9, BCUC IR 39.1.2.
[205] Exhibit B-9, BCUC IR 39.1.
[206] FNDCC/NRRM Final Argument on Common Rates, p. 46.
[207] FNDCC/NRRM Final Argument on 2022 Delivery Rates, p. 3.
[208] FEI Final Argument on Common Rates, pp. 43–44.

- If the FEFN RSAM deferral account balance at December 31, 2022 is in a debit position, then the entire balance will be recovered from FEFN's customers only, which will increase the bill impact to FEFN's customers;
- If the remaining balance of FEFN's RSAM deferral account is recovered from FEFN's customers only, there would likely be more rate volatility for FEFN's customers, as the FEFN RSAM rider generally has much higher variation between each year than FEI's RSAM rider; and
- This approach is inconsistent with that approved by Order G-21-14 for the merging of the FEI and FEW RSAM deferral accounts.

In its reply argument, however, FEI indicates that it is not opposed to returning the RSAM account balance to FEFN ratepayers only, as proposed by FNDCC/NRRM. However, FEI disagrees with FNDCC/NRRM that only a positive balance in the RSAM account should be to the account of FEFN ratepayers, describing this as "an asymmetrical and unprincipled approach". FEI submits that whether the balance is a credit or a debit should not be a factor in determining whether the balance is to the account of FEFN ratepayers.[209]

RCIA did not comment on FEFN's RSAM deferral account.

Panel Determination

The Panel approves the transfer of the December 31, 2022 closing balance of the FEFN RSAM deferral account to the existing FEI RSAM deferral account, effective January 1, 2023. The Panel agrees with FEI's submissions on consistency with the treatment applied to all other FEI regions, alignment with the principle of common rates and stability for FEFN's customers, versus maintaining an FEFN RSAM deferral account following the implementation of common rates.

The Panel rejects the proposal from FNDCC/NRRM to refund any over-collection in the RSAM to FEFN ratepayers only. This is both impractical and asymmetrical. Similarly, we also reject FEI's suggestion that the closing balance, regardless of whether it is a refund or recovery, should be to the account of FEFN ratepayers only. If the RSAM is in a debit balance, maintenance of the FEFN RSAM deferral account would result in increased bill impacts for all FEFN customers, which is inconsistent with the Panel's emphasis on the need for rate smoothing for FEFN customers in order to mitigate the impacts of the move to common rates on FEFN residential customers.

4.3.2 FEFN Common Rates and 2022 Revenue Requirement Application Costs Deferral Account

As part of the FEFN 2022 RRA Decision,[210] the Panel approved the establishment of the FEFN Common Rates and 2022 Revenue Requirement Application Costs deferral account to capture the costs related to the Application and the associated regulatory proceeding, attracting a weighted average cost of capital return, with costs for each component of the Application to be tracked separately. At that time, the BCUC considered it premature to address, ahead of the decision on common rates, whether all FEI ratepayers, including FEFN, or FEFN ratepayers only should bear the costs related to the review of the Application and stated that the issue is better addressed as part of the common rates decision or in a future RRA.[211]

[209] FEI Reply Argument on Common Rates, p. 45.
[210] FEI Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area, Order G-114-22 with Reasons for Decision dated April 29, 2022 (FEFN 2022 RRA Decision), p. 16.
[211] FEFN 2022 RRA Decision, p. 16.

Having made its decision on common rates, the Panel must now address the recovery mechanisms (i.e., the amortization period and from whom the balance should be recovered) in relation to this approved deferral account.

FEI proposes to transfer the deferral account to FEI as of January 1, 2023 and plans to propose an amortization period for this deferral account as part of the FEI 2023 Annual Review.[212] FEI considers it fair to recover the deferred Application costs from all FEI and FEFN customers, as the costs of FEI's other regulatory applications will also be recovered from all customers. Further, FEI submits that it would not be appropriate or administratively efficient to separately recover one deferral account from only a portion of the total customer base, as this would require a separate rate rider to recover the balance from a specific group of customers.[213]

Positions of the Parties

Interveners do not comment on the proposed recovery of this deferral account if common rates are approved. In regard to the regulatory costs associated with the revenue requirements portion of FEI's application, FNDCC and NRRM do not oppose FEI's requested treatment, stating that these are costs that FEI is reasonably incurring to provide utility service and are properly recoverable from ratepayers.[214]

Panel Determination

The Panel approves FEI's proposal to transfer the FEFN Common Rates and 2022 Revenue Requirement Application Costs Deferral Account to FEI as of January 1, 2023. The Panel directs FEI to propose an amortization period for this deferral account, with rationale, as part of the FEI 2023 Annual Review. The Panel agrees with FEI that it is fair to recover the costs from all FEI and FEFN customers given the focus of this proceeding on common rates is to consolidate revenue requirements of FEFN into those of FEI.

Regarding the 2022 revenue requirements application costs, the Panel is persuaded that it would not be administratively efficient to maintain a Fort Nelson specific rate rider to recover those costs. Rather, these will be spread across all FEI customers, including FEFN, as a result of the implementation of common rates.

4.4 Rate Schedule Changes

If common rates are approved, FEI requests approval of consequential updates to FEI Rate Schedules (RS) 1, 2 and 3, as well as the cancellation of the current FEFN Gas Tariff (FEFN Tariff).[215] The proposed mapping of the current FEFN Tariff to the FEI tariff and the related FEI tariff changes, as set out in Appendix D and described in Section 7.1.5 of the Application, are shown in Tables 10-1 and 10-2, respectively, below:

Table 10-1: FEFN Tariff Mapping and Cancellations[216]

[212] Exhibit B-1, Section 7.1.4.3, p. 81.
[213] Exhibit B-4, BCUC IR 9.3.
[214] FNDCC/NRRM Final Argument on 2022 Delivery Rates, p. 4.
[215] Exhibit B-1, p. 82.
[216] Exhibit B-1, p. 82, Table 7-2.

FEFN Gas Tariff Rate Schedule	Proposed Mapping or Cancellation
RS 1: (Residential Service)	Move existing FEFN RS 1 (Residential Service) customers to FEI RS 1 (Residential Service).
RS 2: (Small Commercial Service)	Move existing FEFN RS 2 (Small Commercial Service) customers to FEI RS 2 (Small Commercial Service).
RS 3: (Large Commercial Service)	Move existing FEFN RS 3 (Large Commercial Service) customers to FEI RS 3 (Large Commercial Service).
RS 5: (General Firm Service)	Cancel rates and service offering effective January 1, 2023 (there are currently zero customers enrolled).
RS 6: (Natural Gas Vehicle Service)	Cancel rates and service offering effective January 1, 2023 (there are currently zero customers enrolled).
RS 25: (General Firm Transportation Service)	Cancel rates and service offering effective January 1, 2023 (there are currently zero customers enrolled).

Table 10-2: Summary of Proposed Amendments to FEI RS 1, 2 and 3[217]

FEI Rate Schedule	Service Area	Proposed Delivery Margin Related Rate Riders Applicable to FEFN if Common Rates Approved
RS 1 (Residential Service)	Add New Fort Nelson Service Area column	• Implementation of FEI Rate Riders: ○ Rider 2 – Clean Growth Innovation Fund Account ○ Rider 5 – Revenue Stabilization Adjustment Charge (RSAM) • New Proposed Rider Applicable ONLY to Fort Nelson RS 1 Residential customers: ○ Rider 4 – FEFN Residential Common Rate Phase-in
RS 2 (Small Commercial Service)		• Implementation of FEI Rate Riders: ○ Rider 2 – Clean Growth Innovation Fund Account ○ Rider 5 – Revenue Stabilization Adjustment Charge (RSAM)
RS 3 (Large Commercial Service)		• Implementation of FEI Rate Riders: ○ Rider 2 – Clean Growth Innovation Fund Account ○ Rider 5 – Revenue Stabilization Adjustment Charge (RSAM)

As shown in Table 10-1, FEI proposes to cancel FEFN RS 5, 6 and 25, which do not have any customers. FEI also proposes to move existing customers on FEFN RS 1, 2 and 3 to the equivalent FEI RS 1, 2 and 3.

Table 10-2 shows that FEI proposes to amend FEI RS 1, 2 and 3 by adding a new column for the FEFN service area and, for RS1, adding a new residential common rate phase-in rate rider (as discussed in Section 4.1 of the Decision). Currently, FEFN's RSAM rate rider 5 is the only applicable delivery margin rate rider for FEFN RS 1, 2 and 3.[218]

FEI notes it is not proposing any amendments to the FEI General Terms and Conditions or to make other service offerings such as customer choice or FEI's Renewable Gas (RG) Program (including Biomethane) available to FEFN customers at this time.[219] FEI states it is requesting changes to the existing Biomethane service offering and related Rate Rider 3 in a concurrent FEI Application for a Revised Renewable Gas Program (RG Application) proceeding. Given the concurrent proceeding, FEI submits that it is more appropriate to wait until a final decision on the RG Application, including new rate riders, before it proposes to make the RG program available to FEFN customers either separately or during the RG Application proceeding if applicable.[220]

[217] Exhibit B-6, BCUC IR 31.1.
[218] Exhibit B-1, pp. 82–83; Exhibit B-6, BCUC IR 31.1.
[219] Exhibit B-1, p. 83.
[220] Exhibit B-6, BCUC IR 31.2.

Positions of the Parties

Interveners do not comment on the proposed rate schedule changes if common rates are approved.

Panel Determination

The Panel has reviewed the proposed amendments to rate schedules in Tables 10-1 and 10-2 and finds that they reflect the approvals throughout this decision.

The Panel approves the cancellation of the FEFN Gas Tariff, including the FEFN rate schedules and rates, effective January 1, 2023, as described in Section 7.1.5 of the Application. The Panel also approves certain amendments to the FEI tariff, including the proposed FEFN rate schedule mapping to the applicable FEI rate schedules, as described in Section 7.1.5 and as set out in Appendix D of the Application, effective January 1, 2023, subject to the following change:

- **FEI is directed to update the wording of Rider 4 to specify a "Fort Nelson Residential Customer Common Rate Phase-in" rather than a "Fort Nelson Residential Common Rate Phase-In" to be consistent with the Panel's approval in Section 4.1 of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.**

FEI is directed to file updated FEI tariff pages with the BCUC reflecting the directives and determinations in this Decision and pursuant to any final orders made by the BCUC in the FEI Annual Review for 2023 Delivery Rates proceeding.

4.5 Effective Date and Other Implementation Matters

This section addresses the other matters relating to the implementation of the Proposed Common Rate Option for FEFN, effective January 1, 2023.

FEI seeks approval of the following other matters, as described in Section 7.2 of the Application:[221]

(i) Transfer the closing December 31, 2022 balances of FEFN's gross plant in service, accumulated depreciation, contributions in aid of construction (CIAC), and accumulated amortization of CIAC to FEI's corresponding plant accounts and to include these amounts in FEI's rate base as January 1, 2023 opening balance adjustments;

(ii) Transfer FEFN's capital work in progress (no allowance for funds used during construction (AFUDC)) and unamortized deferred charges to FEI's rate base under the same categories;

(iii) Include FEFN's O&M expenses in FEI's formula O&M effective January 1, 2023 by adding FEFN's forecast 2023 customer count to FEI's forecast 2023 customer count, with these changes to be forecasted in FEI's Annual Review for 2023 Delivery Rates (2023 Annual Review); and

(iv) Incorporate FEFN's annual forecast capital expenditures into FEI's regular forecast capital expenditures commencing January 1, 2023, with these changes to be forecasted in FEI's 2023 Annual Review.

FEI submits that the overall effort and cost of implementation of these matters, including the deferral account proposals in Section 4.3 of this Decision and the proposed tariff amendments in Section 4.3 of this Decision, is relatively minor.[222]

<u>Changes to FEI's Rate Base</u>

[221] Exhibit B-1, pp. 4–5.
[222] FEI Final Argument on Common Rates, p. 41.

With common delivery rates between FEFN and FEI, FEI states that FEFN will no longer have a separate rate base. Accordingly, FEI proposes to transfer the closing balances at December 31, 2022 of FEFN's rate base to FEI's rate base under the same categories, as January 1, 2023 opening balance adjustments for each of the accounts noted in approvals (i) and (ii) above.[223]

FEI's working capital calculation will implicitly be updated to include the impact of the underlying FEFN components of working capital within the consolidated entity.[224]

Changes to FEI's Formula O&M Expense, Formula Growth Capital and Forecast Regular Capital

As noted earlier in Section 2.2.1, FEI's delivery rates are currently set under the BCUC approved a MRP for FEI and FortisBC Inc. (together, FortisBC) covering a five-year period from 2020 to 2024 (FortisBC 2020-2024 MRP).

Since FEFN has maintained separate delivery rates and separate revenue requirements from FEI, FEFN is not currently operating under FEI's MRP. Accordingly, FEI states that adjustments to FEI's formula O&M expense and forecast regular capital expenditures will be required to incorporate FEFN's O&M expenses and capital.[225]

(i) Formula O&M Expense

Under the FortisBC 2020-2024 MRP, FEI's annual O&M expense is primarily determined by formula, with the addition of a number of items that are forecast outside the formula on an annual basis. As explained by FEI, the MRP approved a Base Unit Cost O&M per customer (UCOM) which is escalated annually by an inflation factor less a productivity improvement factor (together, the net inflation factor).[226]

FEI proposes to account for FEFN's O&M expenses as part of FEI's formula O&M by adding FEFN's forecast 2023 customer count to FEI's forecast 2023 customer count.[227] FEI also explained that it will make a one-time adjustment to FEI's Base UCOM in the first year that common rates are effective in order to incorporate the impact of including FEFN's customer base with FEI's.[228] FEI believes that the proposed approach is consistent with how FEVI and FEW were incorporated into FEI's formula O&M under FEI's 2014-2019 Performance-based Ratemaking (PBR) Plan. Specifically, FEI's was approved to adjust its Base O&M in 2015 (i.e., in the second year of the PBR Plan term) in order to incorporate O&M from FEVI and FEW.[229]

(ii) Formula Growth Capital

Under the FortisBC 2020-2024 MRP, FEI's annual growth capital is determined by formula. Considering that the formula calculation uses a forecast of FEI's gross customer additions (i.e. new customers attaching to the gas distribution system from new construction activity and conversions from other fuels to natural gas) instead of the forecast customer count, FEI submits that no adjustment is required to the growth capital formula because FEFN's existing customers would not represent new customer additions to FEI. [230] FEI also believes that no adjustment is needed to the formula component which is FEI's unit cost for growth capital, due to the small growth capital and small number of gross customer addition from FEFN historically.[231]

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[223] Exhibit B-1, p. 77.
[224] Ibid.
[225] Ibid.
[226] Ibid.
[227] Ibid.
[228] Exhibit B-6, BCUC IR 24.3.
[229] Ibid.
[230] Exhibit B-1, p. 78.
[231] Exhibit B-6, BCUC IR 25.1.

For 2023 and beyond, FEI states that any new customer additions forecast for FEFN will simply be included as part of FEI's forecast new customers additions.[232]

(iii) Forecast Regular Capital

FEI received approval for its regular sustainment and other capital expenditures for the years 2020 through 2022 as part of the FortisBC 2020-2024 MRP.[233] FEI proposes to incorporate FEFN's forecast sustainment and other capital for 2023 and 2024 as part of FEI's forecasts for 2023 and 2024, which will be reviewed in the FEI 2023 Annual Review pursuant to the approved MRP.[234]

Positions of the Parties

Interveners do not address the above-noted matters relating to the implementation of common rates. However, FNDCC/NRRM submit that if the BCUC is inclined to move FEFN to common rates, it should only do so if, among other things, FEI is required to continue to separately track costs associated with providing service to FEFN customers, and is directed to apply at a future date (perhaps in ten years) on how FEFN's rates would have evolved under a separate rate relative to the rates being paid under the status quo.[235]

With respect to future activities if common rates are approved, FEI submits that an application at a future date should not be directed as suggested by FNDCC/NRRM, and FEI will not be able to recreate what FEFN's rates would have been if FEFN's regional rates were continued. Further, FEI submits that regulatory efficiencies will be reduced if FEI must estimate what FEFN's rates would have been each year and file an application subject to further process. FEI submits that such a process is unreasonable and unwarranted.[236]

Panel Determination

The Panel finds that FEI's approach to consolidation of the FEFN Rate Base, Formula O&M Expense, Formula Growth Capital and Forecast Regular Capital into the equivalent FEI accounts is reasonable.

The Panel approves FEI to:

- **Transfer the closing December 31, 2022 balances of FEFN's gross plant in service, accumulated depreciation, CIAC, and accumulated amortization of CIAC to FEI's corresponding plant accounts and include these amounts in FEI's rate base as January 1, 2023 opening balance adjustments.**
- **Transfer the closing December 31, 2022 balance of FEFN's capital work in progress (no AFUDC) and unamortized deferred charges to FEI's rate base under the same categories as January 1, 2023 opening balance adjustments.**
- **Include FEFN's O&M expenses in FEI's formula O&M effective January 1, 2023 by adding FEFN's forecast 2023 customer count to FEI's forecast 2023 customer count, with these changes to be forecasted and addressed in FEI's 2023 Annual Review.**
- **Incorporate FEFN's annual forecast capital expenditures into FEI's regular forecast capital expenditures commencing January 1, 2023, with these changes to be forecasted and addressed in FEI's 2023 Annual Review.**

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[232] Exhibit B-1, p. 78.
[233] FortisBC 2020-2024 MRP Decision and Orders G-165-20 and G-166-20 dated June 22, 2020, Section 4.4, p. 131.
[234] Exhibit B-1, p. 78.
[235] FNDCC/NRRM Final Argument on Common Rates, p. 46.
[236] FEI Reply Argument, p. 44.

FEI is also directed to address in FEI's 2023 Annual Review a reconciliation for the transfer of the December 31, 2022 balances of FEFN's accounts to FEI's corresponding accounts in the same categories, as approved above.

The Panel rejects FNDCC/NRRM's suggestion that FEI track costs associated with providing service to FEFN customers separately. Tracking costs may be appropriate in some cases, such as pilot projects. In our view, it is inappropriate in this Application and would create an unnecessary administrative burden on FEI and all of its ratepayers, including FEFN ratepayers. In fact, it would essentially reverse most if not all of the regulatory efficiency that the move to common rates strives to achieve.

5.0 Other Issues Arising

5.1 BC Stats Letter of Comment

On June 30, 2022, BC Stats submitted a letter to the BCUC with respect to evidence in this proceeding that pertains to correspondence between FEI and a BC Stats representative. BC Stats became aware on approximately June 24, 2022, by reviewing Exhibit B-18 and Exhibit B-19, that information provided in an email sent by a representative of BC Stats to a representative of FEI was quoted (the "Quotation") in Exhibit B-15, and consequently, the Quotation appears elsewhere in exhibits in this proceeding.[237]

While the context for the Quotation discloses that the BC Stats representative was aware the Quotation was requested in connection with these proceedings, BC Stats states it was never disclosed to the BC Stats representative that the email correspondence would be disclosed, including in its entirety, and for the purposes of securing a particular outcome before the BCUC. BC Stats states that the manner in which the Quotation has been placed into evidence has resulted in an unequal treatment of the parties. The inclusion of this evidence is analogous to one party being able to present expert evidence on an issue while the other party is barred from doing so. This results in a procedural unfairness that BC Stats would like to see remedied, in that the Quotation and the email correspondence are given little to no weight in the determination of this issue.[238]

Notwithstanding the content of the Quotation, BC Stats states it is not the practice of BC Stats to advise any external user of BC Stats data whether such BC Stats data is suitable for such user's purposes. Such a determination is to be made by the user. It is the practice of BC Stats to advise that data is publicly available, and the data is presented with information to inform the use of the data.[239]

Positions of the Parties

In response, FEI states the evidence has already been filed and the weight the BCUC places on that evidence is not connected to whether the information was provided in accordance with BC Stats' internal policies.[240]

FNDCC/NRRM submit that the BCUC should accept the BC Stats' recommendation that the evidence filed by FEI from BC Stats be given no weight. FNDCC/NRRM submit that emails FEI provided from anonymized individuals with unknown credentials who are not speaking on behalf of BC Stats are not proper opinion evidence.[241] Regardless of whether FEI has followed proper procedure in filing evidence, the concern expressed by BC Stats is that FEI has tendered an opinion from a public body that should not have been used to undermine the evidence

[237] Exhibit E-2.
[238] Ibid., pp. 3-4.
[239] Ibid., p. 2.
[240] FEI Reply Argument, p. 39.
[241] FNDCC/NRRM Supplemental Argument, PDF p. 5.

filed by a different party in the proceeding.[242] In reply, FEI submits the BC Stats letter contains no statement that FEI's BC Stats' evidence is inaccurate or that the individuals who provided information to FEI were unqualified to do so or did not represent BC Stats.[243]

RCIA submits that BC Stats' wish should be respected, and that the Quotation and associated emails should be given little to no weight.[244] In reply, FEI argues that "[w]ithdrawing or giving no weight to FEI's BC Stats evidence based on the preference of BC Stats would be prejudicial to FEI. Given that BC Stats is not a party to this proceeding and cannot be prejudiced by the outcome of the decision in this proceeding, procedural fairness favours the inclusion of the BC Stats evidence in the BCUC's deliberations."[245]

FEI submits that the BC Stats evidence was fairly and properly entered into evidence, is not contradicted, and should be given weight in accordance with its relevance and probative value.[246] The justification for common rates does not depend on a continued decline in FEFN's demand or that FEFN's residential delivery rates reach parity with FEI. No forecast over the next 10 years will be perfectly accurate and there are compelling reasons to adopt common rates for FEFN regardless of the expectations for natural gas demand in the area.[247]

Panel Discussion

The Panel acknowledges the late letter of comment from BC Stats that requested the evidence provided from BC Stats staff to FEI by email be given little or no weight. The Panel considers that this evidence has little weight regardless of the letter of comment, due to the Panel finding in Section 2.2.3 above that the available data shows that FEI's forecast demand methodology is more reliable than that of NRRM. In light of that finding, the Panel sees no need to comment on the relevance or accuracy of the BC Stats data set on population.

6.0 Summary of Directives

This Summary is provided for the convenience of readers. In the event of any difference between the Directions in this Summary and those in the body of the Decision, the wording in the Decision shall prevail.

	Directives	Page No.
1.	**FEI is approved to implement common delivery and cost of gas rates for FEFN and FEI, and to set FEFN's midstream rates at 5 percent of FEI's midstream rates, effective January 1, 2023, subject to any other directives contained in Section 4.0 of the decision.**	28
2.	**FEFN is directed to phase in the bill impact for FEFN residential customers of moving to common delivery rates with FEI, over a period of 5 years. To facilitate this phase-in, the Panel approves the following for FEI:** • **The establishment of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider, effective January 1, 2023.** • **The renaming of the existing FEFN 2021 Revenue Surplus deferral account to the FEFN Residential Customer Common Rate Phase-in deferral account. FEI is approved to record the revenue deficiency at January 1, 2023 which results from the phasing in of residential**	31

[242] FNDCC/NRRM Supplemental Argument, PDF p. 11.
[243] FEI Supplemental Reply Argument, p. 2.
[244] RCIA Supplemental Argument, p. 5.
[245] FEI Supplemental Reply Argument, p. 4.
[246] Ibid., p. 1.
[247] Ibid., p. 2.

	delivery rates over 5 years in the FEFN Residential Customer Common Rate Phase-in deferral account, as an offset against the existing credit balance related to the 2021 FEFN revenue surplus.. • **The balance of the FEFN Residential Customer Common Rate Phase-in deferral account at January 1, 2023 is to be collected from FEFN residential customers over a period of five years through the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.**	
3.	**The Panel approves FEI to establish, for BCUC review, the actual Fort Nelson Residential Customer Common Rate Phase-in Rate Rider each year in FEI's regulatory review process to set delivery rates, commencing in 2023, based on an updated forecast of FEFN's residential customer demand and the remaining balance of the deferral account each year for the five-year phase-in period.**	32
4.	**The Panel approves FEI's proposal to transfer the closing December 31, 2022 balance of FEFN's GCRA to FEI's MCRA as an opening balance adjustment, effective January 1, 2023.**	33
5.	**The Panel also approves the following**: **4. The elimination of the FEFN's GCRA, following the transfer of the closing balance into FEI's MCRA.** **5. Starting January 1, 2023, FEI's MCRA will capture all of FEFN's natural gas supply portfolio costs including transportation costs.** **6. Starting January 1, 2023, FEI will charge FEFN customers the same cost of gas rate as FEI customers, and FEI's MCRA will capture the recoveries of the cost of gas rate from FEFN customers.**	33
6.	**FEI is approved to transfer the December 31, 2022 closing balance of the following FEFN deferral accounts to the existing FEI deferral account with the same name, effective January 1, 2023:** **a. Interest on RSAM deferral account;** **b. Each of the Rate base and Non-rate Base Demand-Side Management deferral accounts;** **c. 2017 Rate Design Application deferral account;** **d. Gains and Losses on Asset Disposition deferral account;** **e. Net Salvage Provision/Cost deferral account; and** **f. COVID-19 Customer Recovery Fund deferral account;**	35
7.	**FEI is approved to consolidate the December 31, 2022 closing balance of the following FEFN deferral accounts into one deferral account titled the FEFN Transitional Balance deferral account, and to transfer the newly created account to FEI, effective January 1, 2023, with an amortization period of one year: Property Tax Variance, Interest Variance and Billing System Costs for FEFN Rate Changes deferral accounts; and**	35
8.	**FEI is approved to transfer the December 31, 2022 closing balance of the FN Right of Way Agreement deferral account to FEI effective January 1, 2023, with the disposition to be determined as part of a future FEI proceeding.**	35

9.	**The Panel approves the transfer of the December 31, 2022 closing balance of the FEFN RSAM deferral account to the existing FEI RSAM deferral account, effective January 1, 2023**.	36
10.	**The Panel approves FEI's proposal to transfer the FEFN Common Rates and 2022 Revenue Requirement Application Costs Deferral Account to FEI as of January 1, 2023. The Panel directs FEI to propose an amortization period for this deferral account, with rationale, as part of the FEI 2023 Annual Review.**	37
11.	**The Panel approves the cancellation of the FEFN Gas Tariff, including the FEFN rate schedules and rates, effective January 1, 2023, as described in Section 7.1.5 of the Application.**	39
12.	**The Panel also approves certain amendments to the FEI tariff, including the proposed FEFN rate schedule mapping to the applicable FEI rate schedules, as described in Section 7.1.5 and as set out in Appendix D of the Application, effective January 1, 2023, subject to the following change:** • **FEI is directed to update the wording of Rider 4 to specify a "Fort Nelson Residential Customer Common Rate Phase-in" rather than a "Fort Nelson Residential Common Rate Phase-In" to be consistent with the Panel's approval in Section 4.1 of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.**	39
13.	**FEI is directed to file updated FEI tariff pages with the BCUC reflecting the directives and determinations in this Decision and pursuant to any final orders made by the BCUC in the FEI Annual Review for 2023 Delivery Rates proceeding.**	39
14.	**The Panel approves FEI to:** • **Transfer the closing December 31, 2022 balances of FEFN's gross plant in service, accumulated depreciation, CIAC, and accumulated amortization of CIAC to FEI's corresponding plant accounts and include these amounts in FEI's rate base as January 1, 2023 opening balance adjustments.** • **Transfer the closing December 31, 2022 balance of FEFN's capital work in progress (no AFUDC) and unamortized deferred charges to FEI's rate base under the same categories as January 1, 2023 opening balance adjustments.** • **Include FEFN's O&M expenses in FEI's formula O&M effective January 1, 2023 by adding FEFN's forecast 2023 customer count to FEI's forecast 2023 customer count, with these changes to be forecasted and addressed in FEI's 2023 Annual Review.** • **Incorporate FEFN's annual forecast capital expenditures into FEI's regular forecast capital expenditures commencing January 1, 2023, with these changes to be forecasted and addressed in FEI's 2023 Annual Review.** **FEI is also directed to address in FEI's 2023 Annual Review a reconciliation for the transfer of the December 31, 2022 balances of FEFN's accounts to FEI's corresponding accounts in the same categories, as approved above.**	41

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of October 2022.

Original signed by:

A. K. Fung, KC
Panel Chair / Commissioner

Original signed by:

E. B. Lockhart
Commissioner

Original signed by:

A. Pape-Salmon
Commissioner

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ORDER NUMBER
G-278-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application for Common Rates and 2022 Revenue Requirements
for the Fort Nelson Service Area

BEFORE:
A. K. Fung, KC, Panel Chair
E. B. Lockhart, Commissioner
A. Pape-Salmon, Commissioner

on October 6, 2022

ORDER

WHEREAS:

A. On August 12, 2021, FortisBC Energy Inc. (FEI) filed with the British Columbia Utilities Commission (BCUC), pursuant to sections 59 to 61 of the *Utilities Commission Act*, an application for approval to set the delivery rates and the Revenue Stabilization Adjustment Mechanism (RSAM) rate rider for the Fort Nelson service area (FEFN), effective January 1, 2022 (2022 Delivery Rates), and to implement common delivery rates and cost of gas rates for FEFN with FEI, effective January 1, 2023 (Common Rates) (together, the Application);

B. By Orders G-227-21, G-315-21, G-20-22, G-86-22 and G-150-22, the BCUC established and amended regulatory timetables for the review of the Application, which included one round of BCUC and intervener information requests (IRs) to FEI on 2022 Delivery Rates and Common Rates, written final and reply arguments on 2022 Delivery Rates, a second round of BCUC and intervener IRs to FEI on Common Rates, intervener and FEI rebuttal evidence on Common Rates and corresponding IRs, and written final and reply arguments on Common Rates;

C. By Order G-114-22 dated April 29, 2022, the BCUC issued its decision on the 2022 Delivery Rates component of the Application;

D. By June 30, 2022, FEI and registered interveners filed written final arguments on Common Rates in accordance with the regulatory timetable;

E. By Order G-186-22 dated July 8, 2022, pursuant to Rule 8.08 of the BCUC Rules of Practice and Procedure, the BCUC accepted into the evidentiary record a late letter of comment from BC Stats (BC Stats Letter) with respect to evidence on the record in this proceeding that pertains to correspondence between FEI and a BC Stats representative;

F. By Order G-200-22 dated July 20, 2022, the BCUC established a further regulatory timetable to allow for supplemental arguments and FEI reply regarding the BC Stats Letter; and

G. The BCUC has reviewed the Common Rates component of the Application, evidence and all arguments filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision (Decision) issued concurrently with this order, the BCUC orders as follows:

1. FEI is approved to implement common delivery rates and cost of gas rates for FEFN and FEI, and to set FEFN's midstream rates at 5 percent of FEI's midstream rates, effective January 1, 2023, pursuant to all other directives and determinations contained in the Decision.

2. FEFN is directed to phase in the bill impact for FEFN residential customers of moving to common delivery rates with FEI, over a period of 5 years. To facilitate this phase-in, the Panel approves the following for FEI:

    a. The establishment of a Fort Nelson Residential Customer Common Rate Phase-in Rate Rider, effective January 1, 2023.

    b. The renaming of the existing FEFN 2021 Revenue Surplus deferral account to the FEFN Residential Customer Common Rate Phase-in deferral account. FEI is approved to record the revenue deficiency at January 1, 2023 which results from the phasing in of residential delivery rates over 5 years in the FEFN Residential Customer Common Rate Phase-in deferral account, as an offset against the existing credit balance related to the 2021 FEFN revenue surplus.

    c. The balance of the FEFN Residential Customer Common Rate Phase-in deferral account at January 1, 2023 is to be collected from FEFN residential customers over a period of five years through the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider.

3. FEI is approved to make certain amendments to the FEI tariff, including the proposed FEFN rate schedule mapping to the applicable FEI rate schedules, as described in Section 7.1.5 and as set out in Appendix D of the Application, effective January 1, 2023, subject to the following change:

    a. FEI is directed to update the wording of Rider 4 to specify a "Fort Nelson Residential Customer Common Rate Phase-in" rather than a "Fort Nelson Residential Common Rate Phase-In."

4. FEI is directed to file updated FEI tariff pages with the BCUC reflecting the directives and determinations in the Decision and pursuant to any final orders made by the BCUC in the FEI Annual Review for 2023 Delivery Rates (FEI 2023 Annual Review) proceeding.

5. FEI is directed to propose an amortization period for the FEFN Common Rates and 2022 Revenue Requirement Application Costs deferral account, with rationale, as part of the FEI 2023 Annual Review.

6. FEI is directed to address in the FEI 2023 Annual Review a reconciliation for the transfer of the December 31, 2022 balances of FEFN's accounts to FEI's corresponding accounts in the same categories, as approved in Section 4.5 of the Decision.

7. FEI must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 6th day of October 2022.

BY ORDER

A. K. Fung, KC
Commissioner

Glossary of Terms

Acronym	Description
AFUDC	Allowance for Funds Used During Construction
Application	FortisBC Application for Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area
BC	British Columbia
BCUC	British Columbia Utilities Commission
BC Hydro	British Columbia Hydro and Power Authority
CBOC	Conference Board of Canada
CCRA	Commodity Cost Reconciliation Account
CIAC	Contributions in Aid of Construction
CPCN	Certificate of Public Convenience and Necessity
CSCW	CSCW Systems Corporation
ETS	Exponential Smoothing method
EV	Electric Vehicle
FEFN	Fort Nelson service area
FEI	FortisBC Energy Inc.
FEU	FortisBC Energy Utilities
FEVI	FortisBC Energy (Vancouver Island) Inc.
FEW	FortisBC Energy (Whistler) Inc.
FNDCC	Fort Nelson & District Chamber of Commerce
FortisBC	FortisBC Energy Inc. and FortisBC Inc.
GCRA	Gas Cost Reconciliation Account
GJ	Gigajoule
IR	Information request
LHA	Local Health Authority
LNG	Liquified Natural Gas
MAPE	Mean Absolute Percentage Error
MCRA	Midstream Cost Reconciliation Account
MRP	Multi-year Plan

PBR Plan	Performance-based Ratemaking Plan
NRRM	Northern Rockies Regional Municipality
O&M Costs	Operations and Maintenance Costs
RCIA	Residential Consumer Intervener Association
RG	Renewable Gas
RRA	Revenue requirements application
RS	Rate Schedule
RSAM	Revenue Stabilization Adjustment Mechanism
TJs	Terajoules
UCA	*Utilities Commission Act*
UCOM	Unit Cost O&M
UPC	Use per customer
WACC	Weighted Average Cost of Capital

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application for Common Rates and 2022 Revenue Requirements
for the Fort Nelson Service Area

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated August 26, 2021 – BCUC Appointment of Panel for review of the Common Rates and 2022 Revenue Requirements for the Fort Nelson Service Area Application
A-2	Letter dated September 1, 2021 – BCUC Panel Amendment for review of the Application
A-3	Letter dated September 21, 2021 – BCUC Order G-277-21 establishing a regulatory timetable and public notice
A-4	Letter dated October 27, 2021 – BCUC Information Request No. 1 on 2022 Delivery rates
A-5	Letter dated November 3, 2021 – BCUC Order G-315-21 amending the regulatory timetable
A-6	Letter dated November 3, 2021 – BCUC Information Request No. 1 to FEI on Common Rates
A-7	Letter dated December 1, 2021 – BCUC response to FEI extension request
A-8	Letter dated January 14, 2022 – BCUC submitting procedural conference information
A-9	Letter dated January 31, 2022 BCUC Order G-20-22 amending the regulatory timetable
A-10	Letter dated February 10, 2022 – BCUC Information Request No. 2 to FEI on Common Rates
A-11	Letter dated March 16, 2022 – BCUC Information Request No. 1 to FNDCC on Common Rates
A-12	Letter dated March 16, 2022 –BCUC Information Request No. 1 to NRRM on Common Rates
A-13	Letter dated March 24, 2022 – BCUC Order G-86-22 amending the regulatory timetable

A-14	Letter dated May 16, 2022 – BCUC Information Request No. 1 to FEI on Rebuttal Evidence
A-15	Letter dated May 30, 2022 – BCUC Response to FEI Extension Request
A-16	Letter dated June 3, 2022 – BCUC Order G-150-22 amending the regulatory timetable
A-17	Letter dated July 8, 2022 – BCUC Order G-186-22 response regarding BCStats Letter of Comment
A-18	Letter dated July 20, 2022– BCUC Order G-200-22 establishing a regulatory timetable regarding supplemental arguments regarding BC Stats Letter of Comment

COMMISSION STAFF DOCUMENTS

A2-1

APPLICANT DOCUMENTS

B-1	**FORTISBC ENERGY INC. (FEI)** - Application for Common Rates and 2022 Revenue Requirements (2022 RR) for the Fort Nelson Service Area dated August 12, 2021
B-2	Letter dated September 29, 2021 – FEI submitting Supplemental Information
B-3	Letter dated November 30, 2021 – FEI submitting extension request to file amended tariff pages in compliance with G-277-21
B-4	Letter dated December 9, 2021 – FEI submitting responses to BCUC Information Request No. 1
B-5	Letter dated December 9, 2021 – FEI submitting responses to FNDCC-NRRM Information Request No. 1
B-6	Letter dated December 23, 2021 – FEI submitting responses to BCUC Information Request No. 1 on Common Rates
B-7	Letter dated December 23, 2021 – FEI submitting responses to FNDCC-NRRM Information Request No. 1 on Common Rates
B-8	Letter dated December 23, 2021 – FEI submitting responses to RCIA Information Request No. 1 on Common Rates
B-9	Letter dated February 28, 2022 – FEI submitting responses to BCUC Information Request No. 2 on Common Rates
B-10	Letter dated February 28, 2022 – FEI submitting responses to FNDCC-NRRM Information Request No. 2 on Common Rates
B-11	Letter dated February 28, 2022 – FEI submitting responses to RCIA Information Request No. 2 on Common Rates

B-12 Letter dated March 16, 2022 – FEI submitting Information Request No. 1 to FNDCC on Intervener Evidence

B-13 Letter dated March 16, 2022 – FEI submitting Information Request No. 1 to NRRM on Intervener Evidence

B-14 Letter dated April 20, 2022 – FEI submitting Notice of Intent to File Rebuttal Evidence

B-15 Letter dated May 2, 2022 – FEI submitting Rebuttal Evidence

B-16 Letter dated May 27, 2022 – FEI request to amend timetable

B-17 Letter dated June 1, 2022 – FEI submitting responses to BCUC Information Request No. 1 on Rebuttal Evidence

B-18 Letter dated June 1, 2022 – FEI submitting responses to RCIA Information Request No. 1 on Rebuttal Evidence

B-19 Letter dated June 1, 2022 – FEI submitting responses to FNDCC-NRRM Information Request No. 1 on Rebuttal Evidence

B-20 Letter dated June 1, 2022 – FEI submitting reply on Final Argument timing

INTERVENER DOCUMENTS

C1-1 **FORT NELSON AND DISTRICT CHAMBER OF COMMERCE (FNDCC) –** Letter dated September 23, 2021 submitting request to intervene by Bev Vandersteen

C1-2 Letter dated October 29, 2021 – FNDCC submitting extension request to file Information Requests

C1-3 Letter dated November 17, 2021 – FNDCC submitting Information Request No. 1 to FEI

C1-4 Letter dated November 24, 2021 – FNDCC submitting Information Request No. 1 to FEI on Common Rates

C1-5 Letter dated February 10, 2021 – FNDCC submitting Information Request No. 2 to FEI on Common Rates

C1-6 Letter dated March 1, 2021 – FNDCC submitting Intervener Evidence on Common Rates

C1-7 Letter dated March 22, 2021 – FNDCC submitting extension request to respond to Information Requests

C1-8 Letter dated April 13, 2021 – FNDCC submitting responses to FEI Information Request No. 1

C1-9 Letter dated April 13, 2021 – FNDCC submitting responses to BCUC Information Request No. 1

C1-10	Letter dated April 13, 2021 – FNDCC submitting responses to RCIA Information Request No. 1
C2-1	**NORTHERN ROCKIES REGIONAL MUNICIPALITY (NRRM) –** Letter dated September 27, 2021 submitting request to intervene by Mike Gilbert
C2-2	Letter dated November 17, 2021 – NRRM submitting Information Request No. 1 to FEI
C2-3	Letter dated November 24, 2021 – NRRM submitting Information Request No. 1 to FEI on Common Rates
C2-4	Letter dated February 10, 2021 – NRRM submitting Information Request No. 2 to FEI on Common Rates
C2-5	Letter dated March 1, 2021 – NRRM submitting Intervener Evidence on Common Rates
C2-6	Letter dated March 22, 2021 – NRRM submitting extension request to respond to Information Requests
C2-7	Letter dated April 13, 2021 – NRRM submitting responses to FEI Information Request No. 1
C2-8	Letter dated April 13, 2021 – NRRM submitting responses to BCUC Information Request No. 1
C2-9	Letter dated April 13, 2021 – NRRM submitting responses to RCIA Information Request No. 1
C2-10	Letter dated May 16, 2022 – NRRM Information Request No. 1 to FEI on Rebuttal Evidence
C2-11	Letter dated May 27, 2022 – NRRM and FNDCC comments on extension request
C2-12	Letter dated July 19, 2022 – NRRM response regarding Supplemental Argument Request
C3-1	**RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA)** - Letter dated October 20, 2021 submitting request to intervene by Samuel Mason
C3-2	Letter dated November 24, 2021 – RCIA submitting Information Request No. 1 to FEI
C3-3	Letter dated February 10, 2021 – RCIA submitting Information Request No. 2 to FEI
C3-4	Letter dated March 16, 2022 – RCIA submitting Information Request No. 1 to NRRM on Common Rates
C3-5	Letter dated March 16, 2022 – RCIA submitting Information Request No. 1 to FNDCC on Common Rates
C3-6	Letter dated May 16, 2022 – RCIA Information Request No. 1 to FEI on Rebuttal Evidence
C3-7	Letter dated July 19, 2022 – RCIA response regarding Supplemental Argument Request

LETTERS OF COMMENT

E-1	Combined Letters of Comment – dated June 1, 2022
E-2	BC Stats – Letter of Comment dated June 30, 2022