

FortisBC Inc. (FBC) 2014 – 2018 Performance Based Ratemaking Plan

Workshop
July 25th, 2013

Workshop Agenda

Topic	Presenter
Introduction and Overview	Roger Dall'Antonia <i>Vice President Strategic Planning, Corporate Development & Regulatory Affairs</i>
Load Forecast	David Bailey <i>Customer and Energy Forecast Manager</i> Katie Rice <i>Revenue and Margin Analyst</i>
Demand Side Management	Keith Veerman <i>Manager, PowerSense Programs</i>
Break	
Power Supply	Jamie King <i>Power Supply Operations Manager</i>
2014-2018 PBR Plan	Joyce Martin <i>Manager, Regulatory Affairs</i>
Closing Comments	Roger Dall'Antonia

Introduction

Roger Dall'Antonia

*Vice President Strategic Planning, Corporate Development
and Regulatory Affairs*

FBC 2014 – 2018 PBR Plan

- PBR incents utilities to invest in efficiencies, provided a long enough term and a balanced plan is in place
- FBC has a solid record of successful PBR
- The success of our PBR plans provides a strong basis for going forward with a similar model for this PBR
- The opportunities and potential results may be different now than then; but the incentive framework in the proposed PBR plan will lead to a similar response from the utilities as in the past

Our PBR Objectives

1. To reinforce our productivity improvement culture while ensuring safety and customer service requirements continue to be met;
2. To create an efficient regulatory process for the upcoming years, allowing the companies to focus on effectively managing business priorities and minimizing costs for customers.

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Closing Comments	Roger Dall'Antonia

Load Forecast

David Bailey

Customer and Energy Forecast Manager

Katie Rice

Revenue and Margin Analyst

Agenda



Load Summary



City of Kelowna
(CoK)



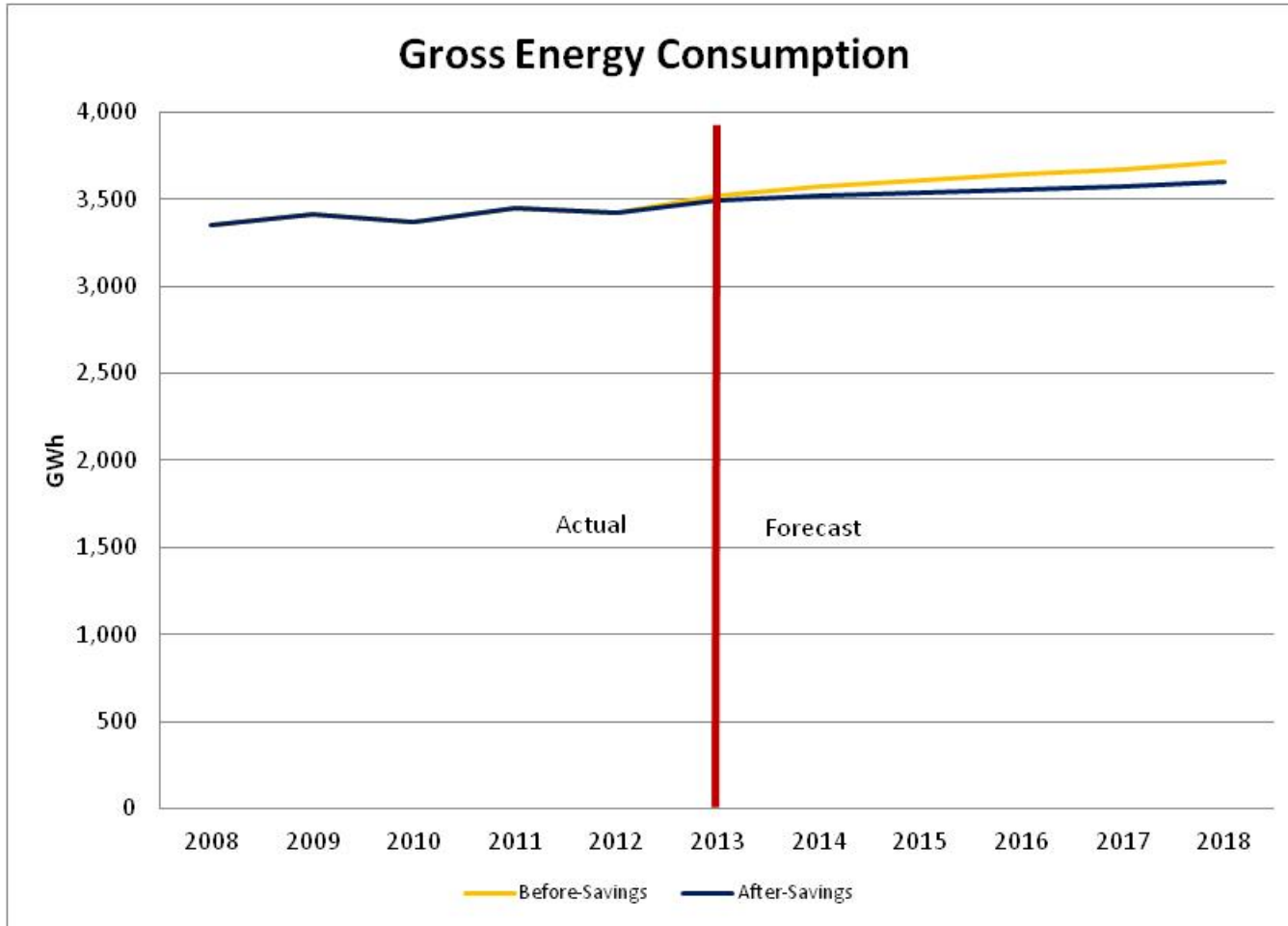
2014-2018 Load
Forecast



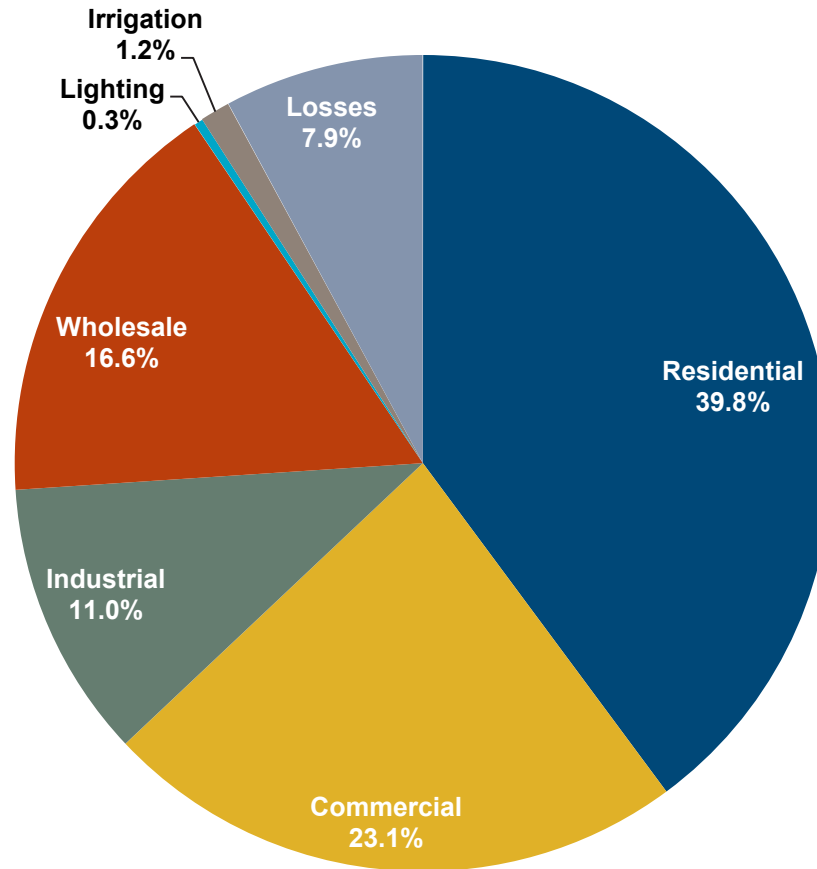
Conclusion



Load Summary



2014 Load Summary

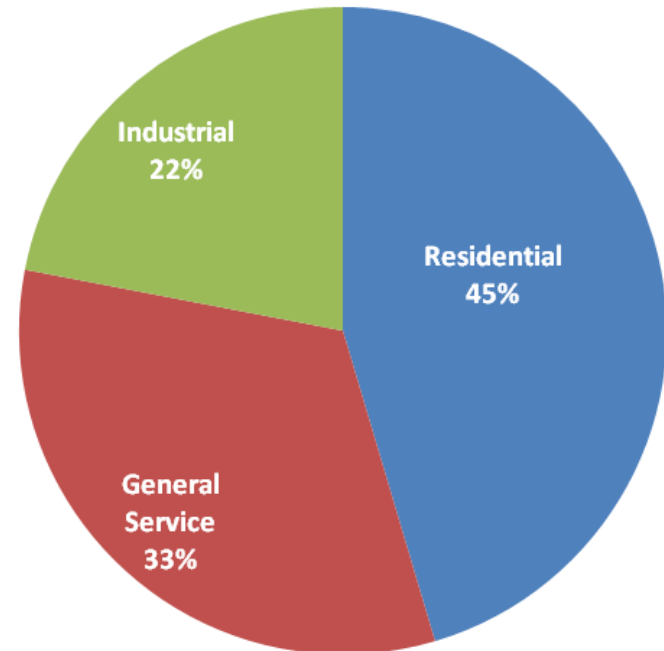


City of Kelowna (CoK)

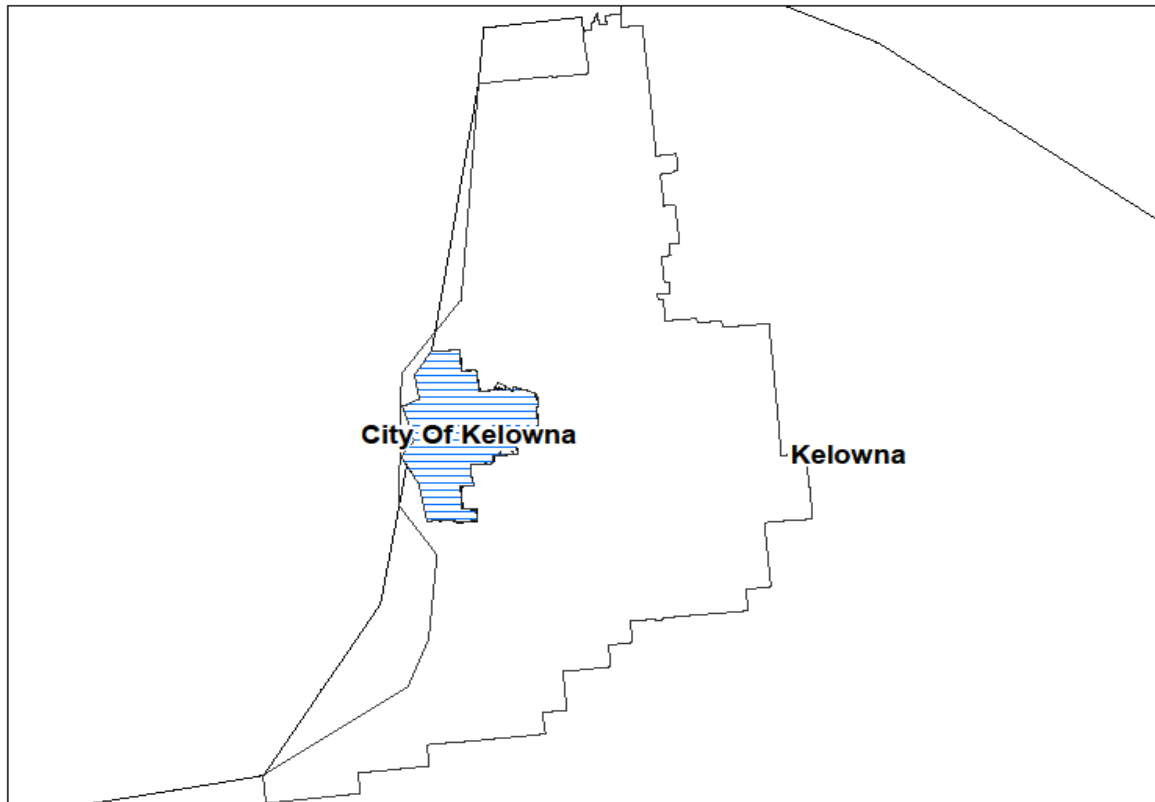
- Acquired on March 31st of 2013
- Previously a wholesale customer
- Load allocated based on historical composition



CoK Load Allocations

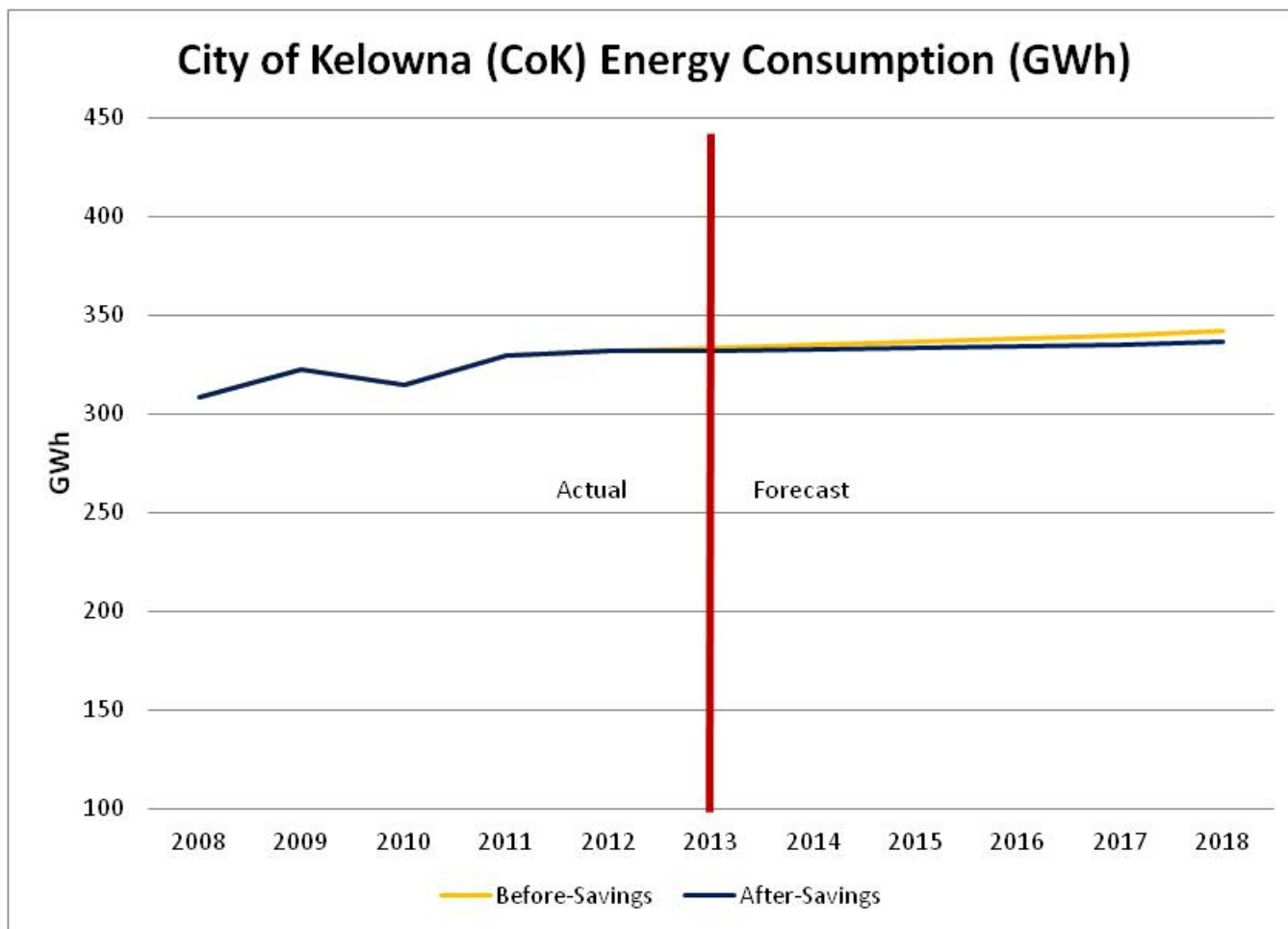


City of Kelowna (CoK)

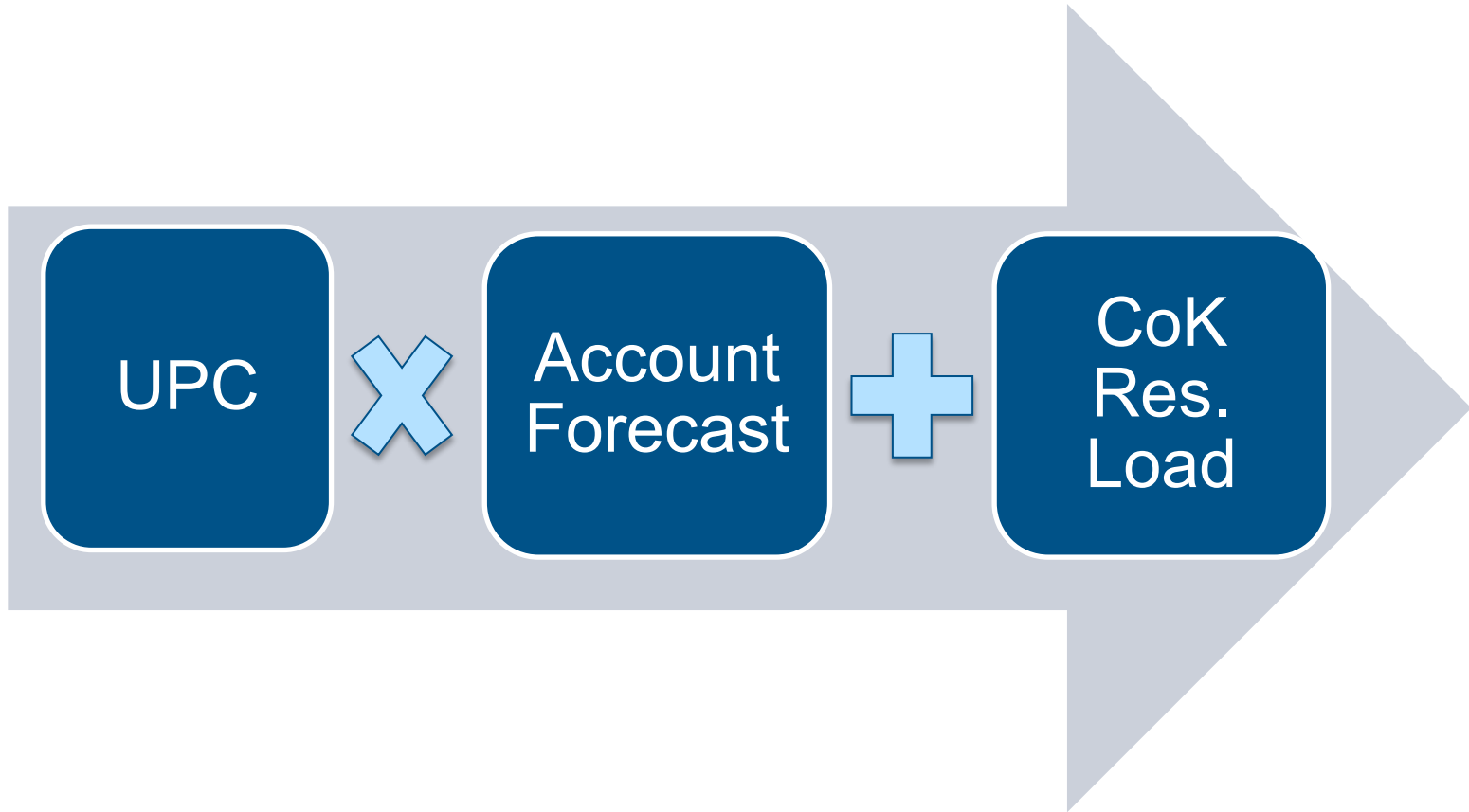


- 15,000 customers of a potential 100,000

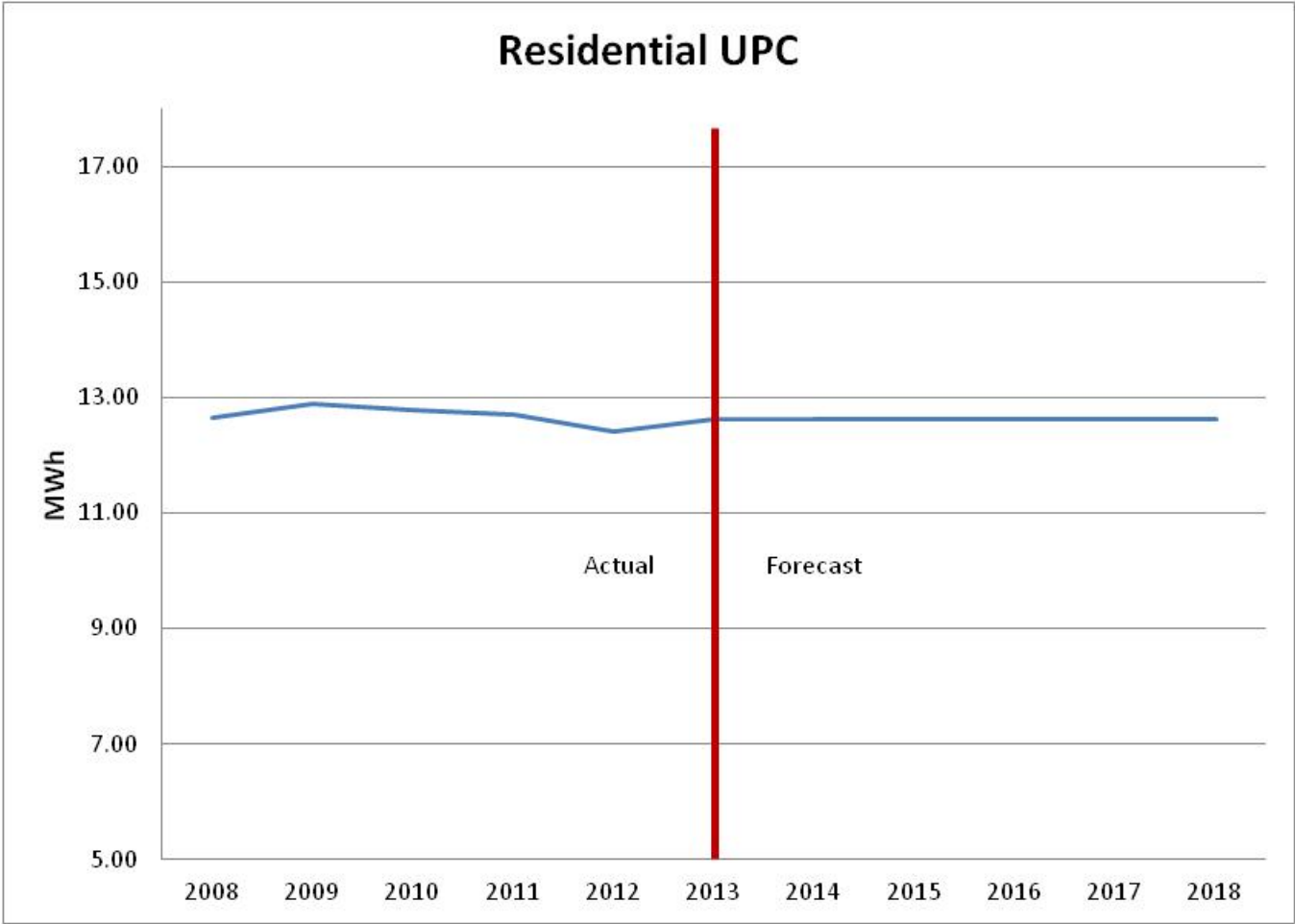
City of Kelowna (CoK)



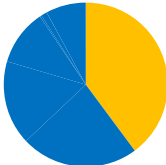
Residential Class



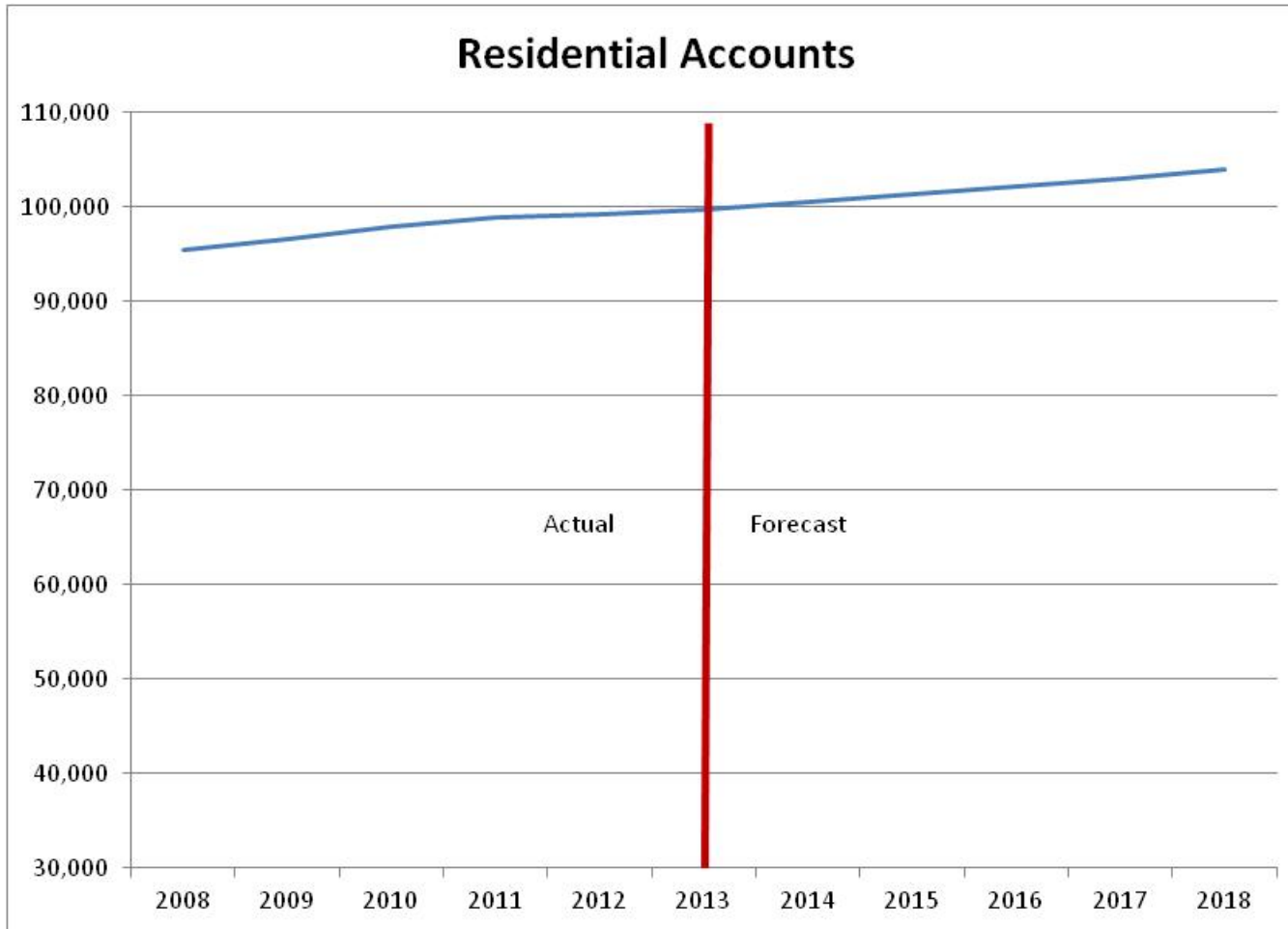
Residential Class



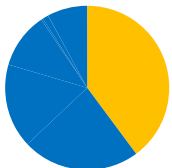
Forecast
UPC:
12.63 MWh



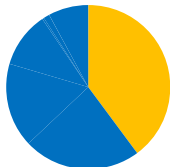
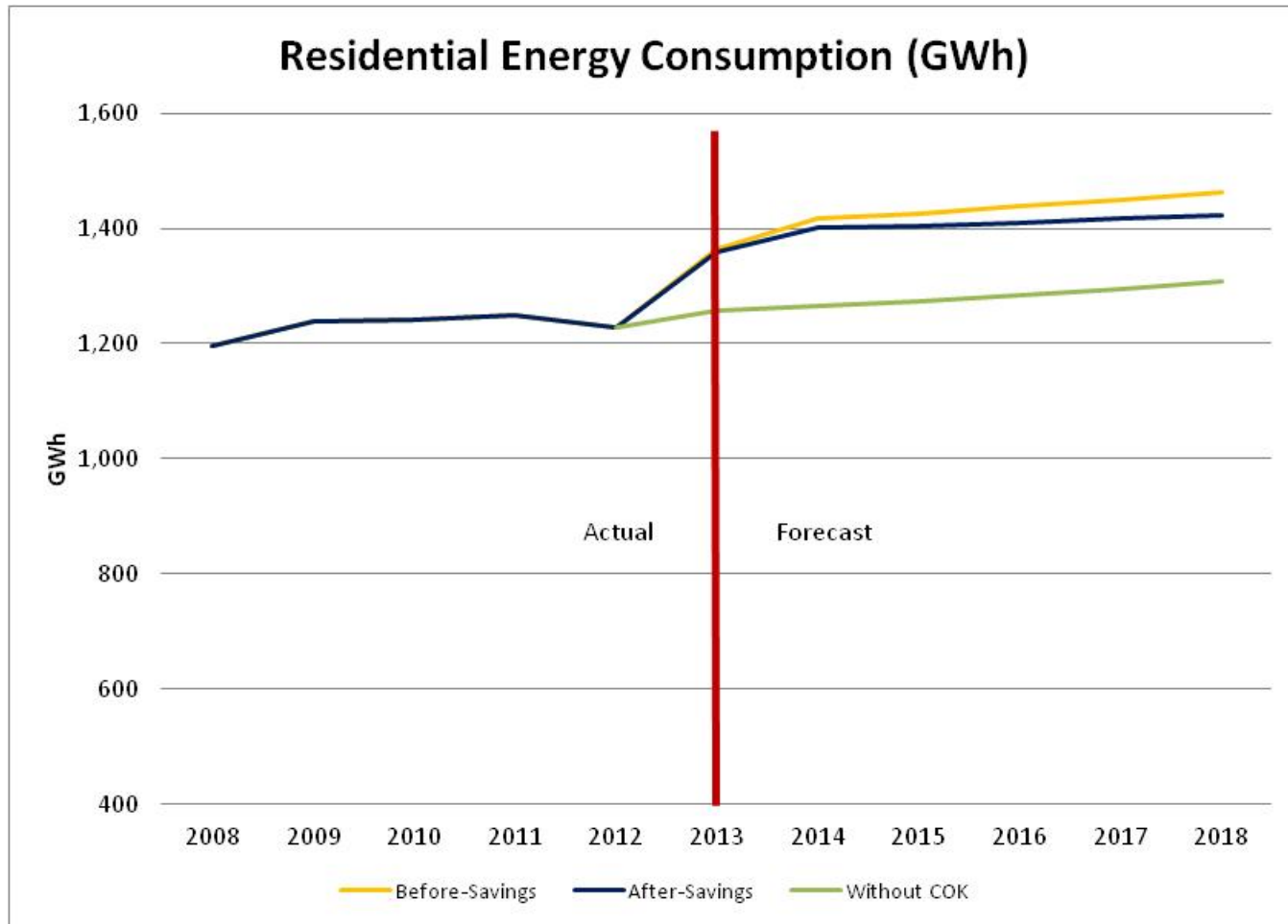
Residential Class



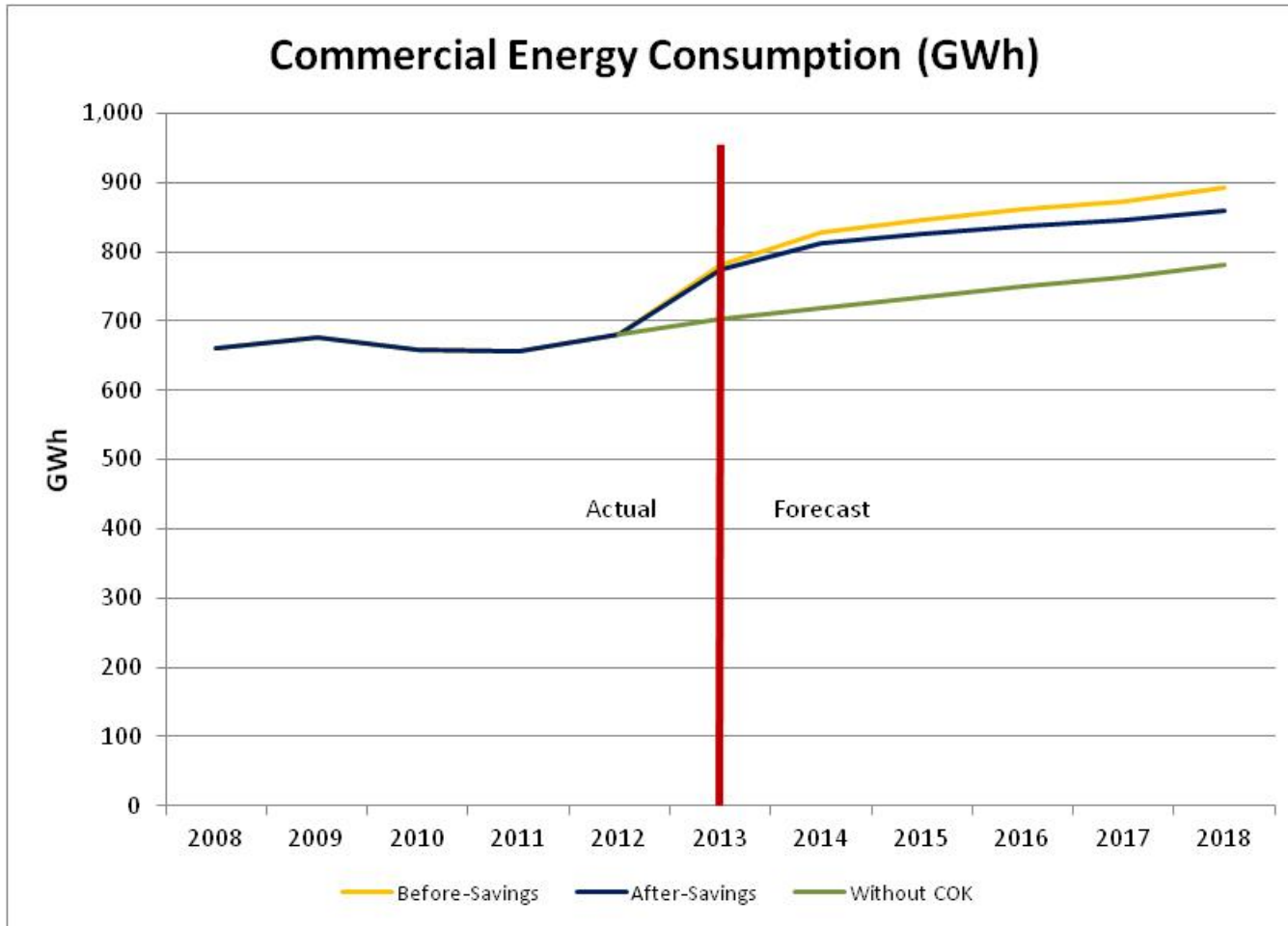
Approx.
100,000
accounts in
2014 excluding
the CoK



Residential Class

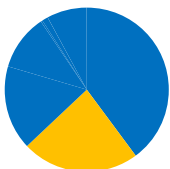


Commercial Class

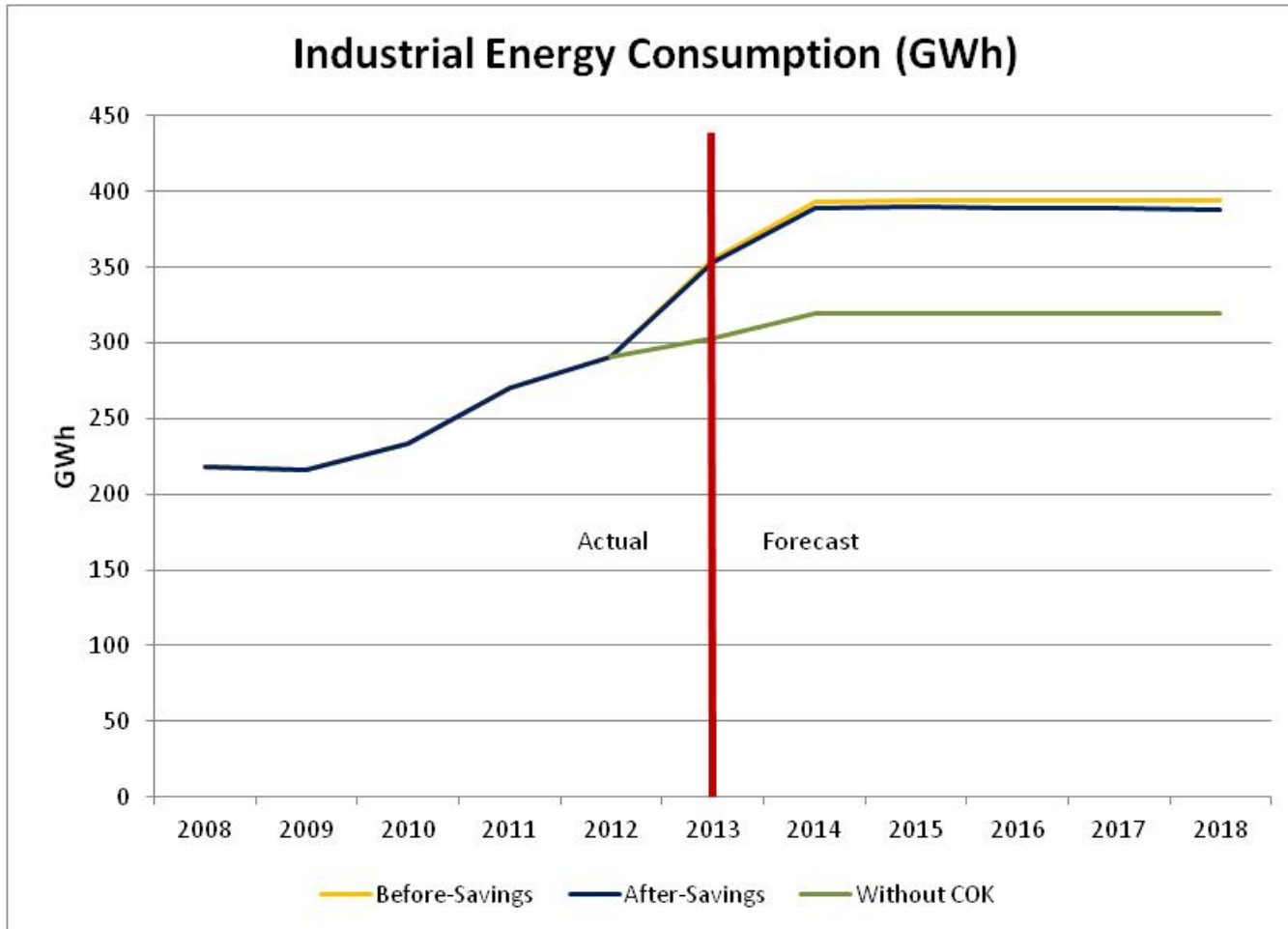


Regression on CBOC Provincial GDP data

Approx 13,500 customers in 2014



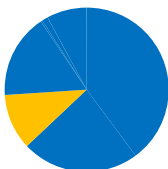
Industrial Class



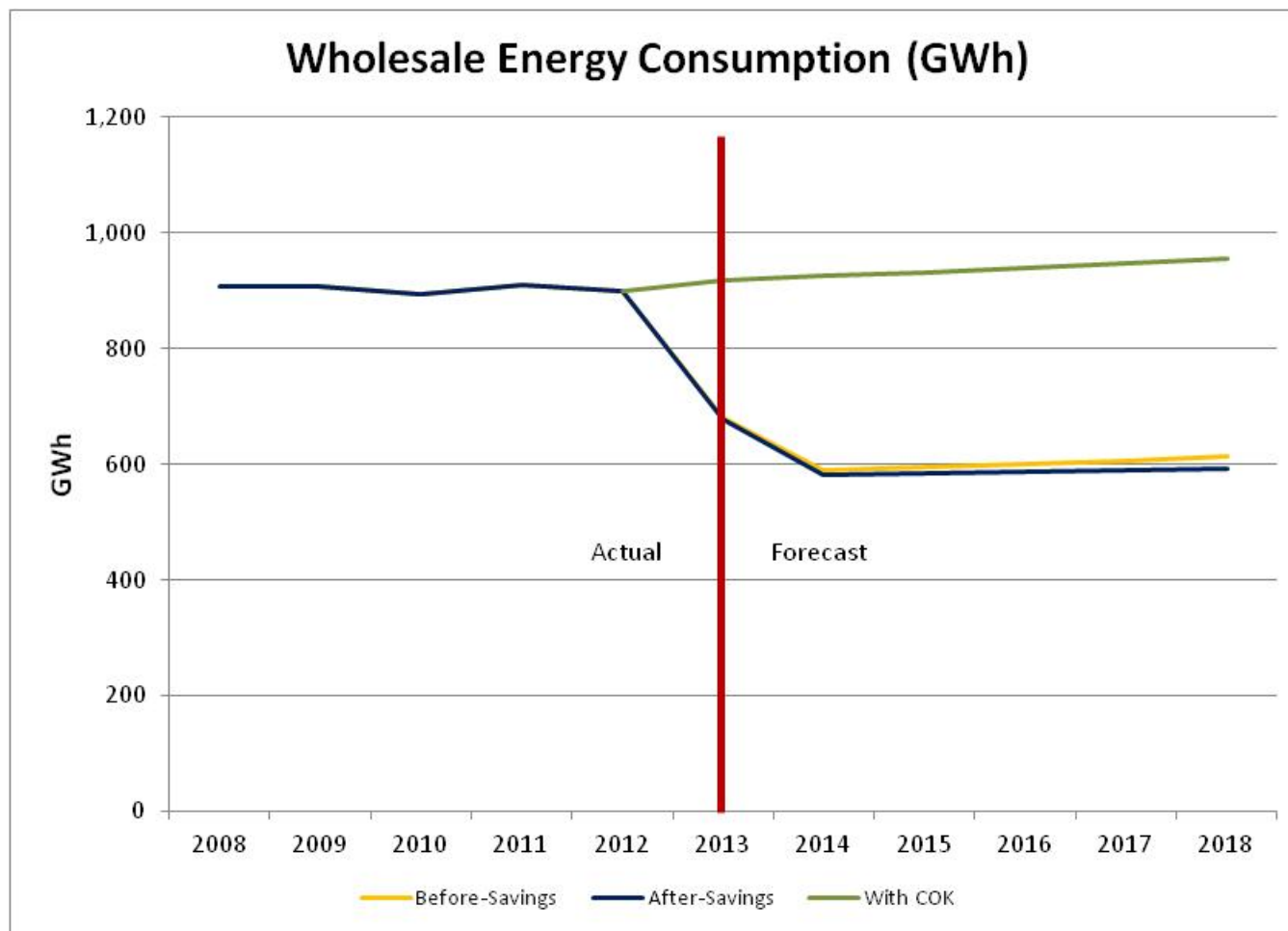
48 customers in 2014

Survey customers

Received 72% of surveys which represented 79% of load



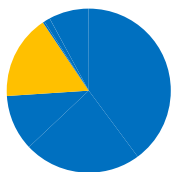
Wholesale Class



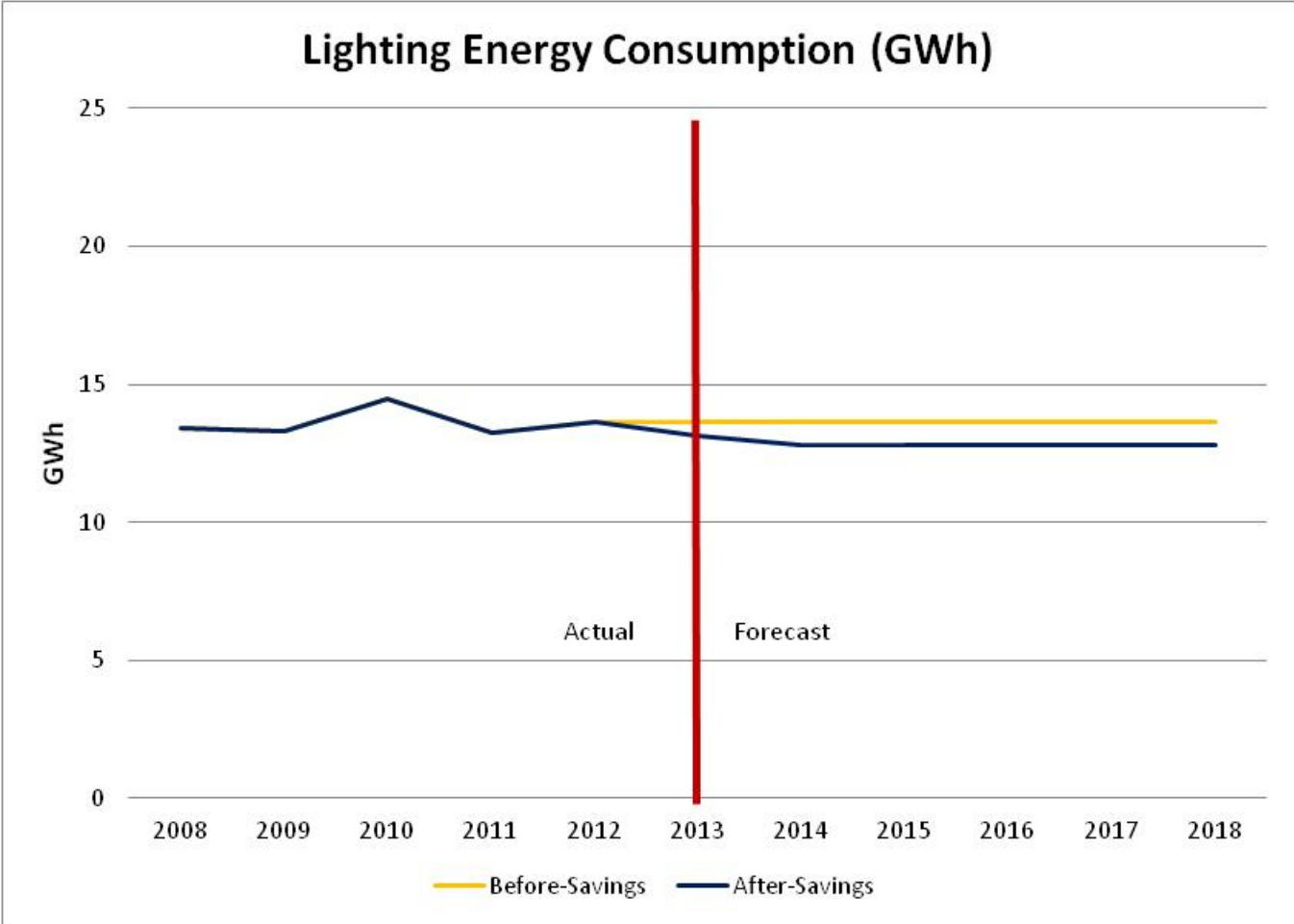
Survey customers

6 customers in 2014

1/3 of the wholesale load was from CoK

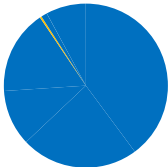


Lighting Class



Approx. 1,700 accounts in 2014

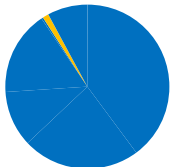
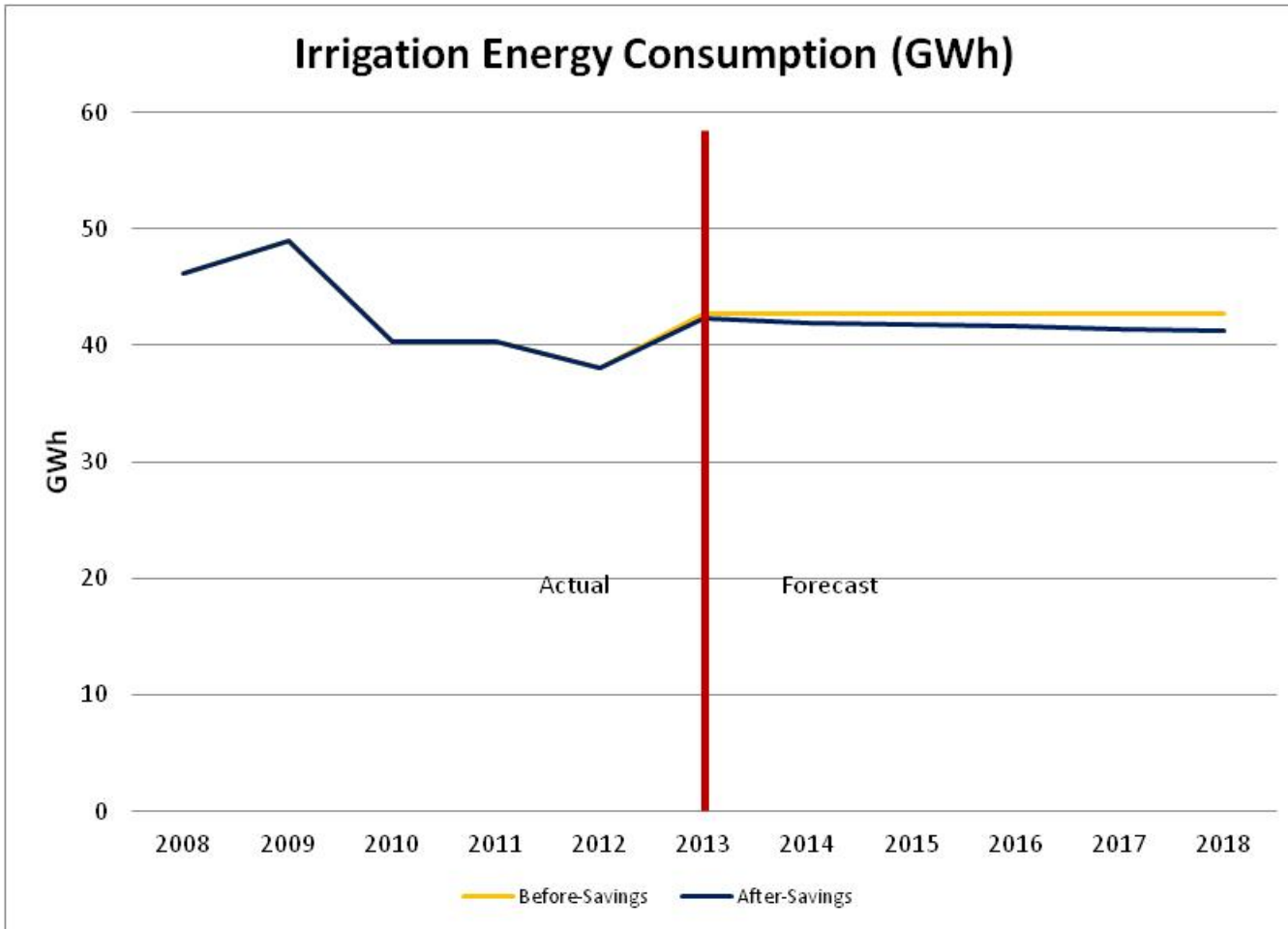
Forecast based on 5 recent years



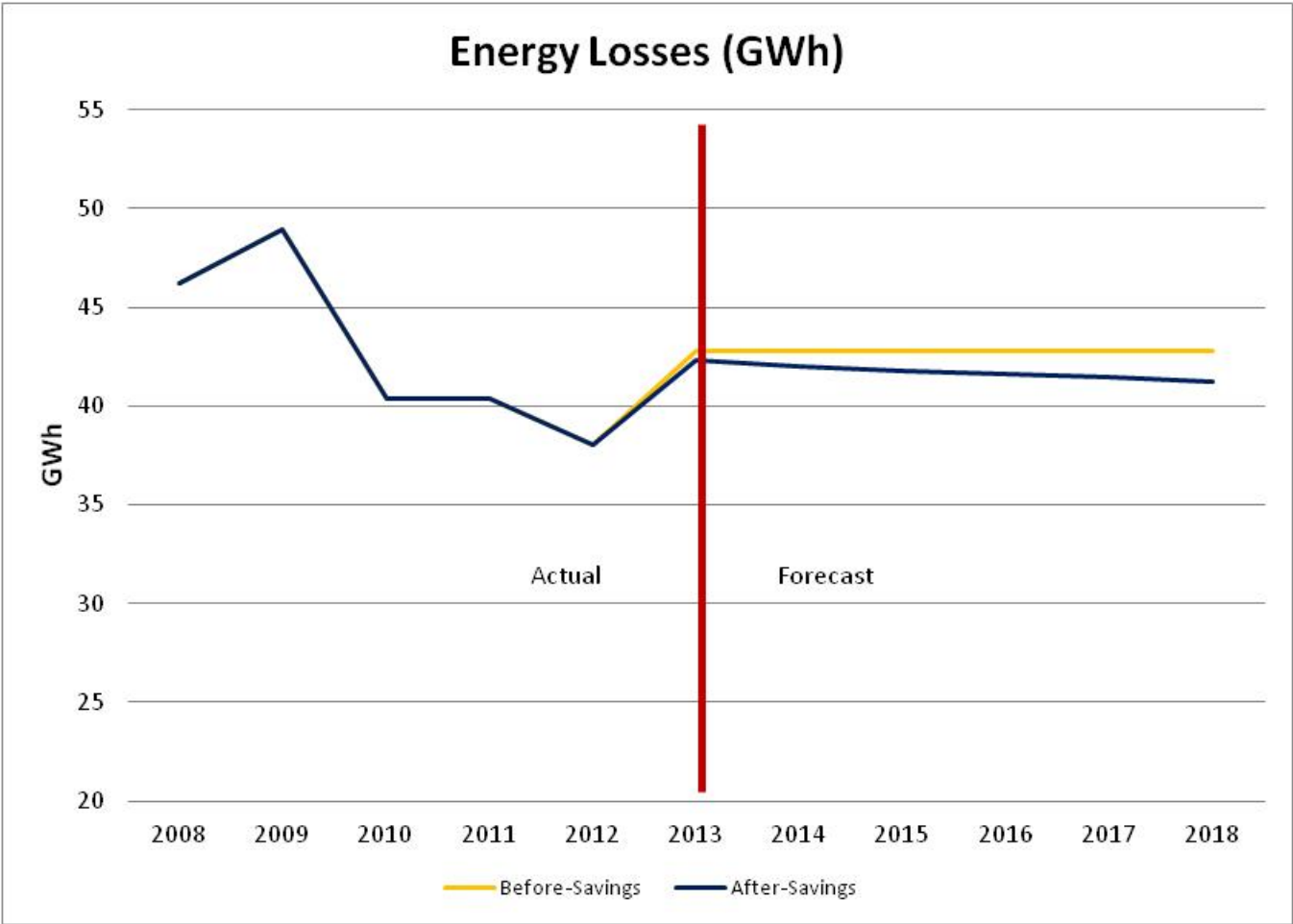
Irrigation Class

Approx. 1,100
accounts in 2014

Forecast based
on 5 recent years



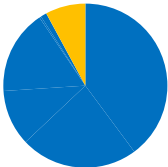
Losses



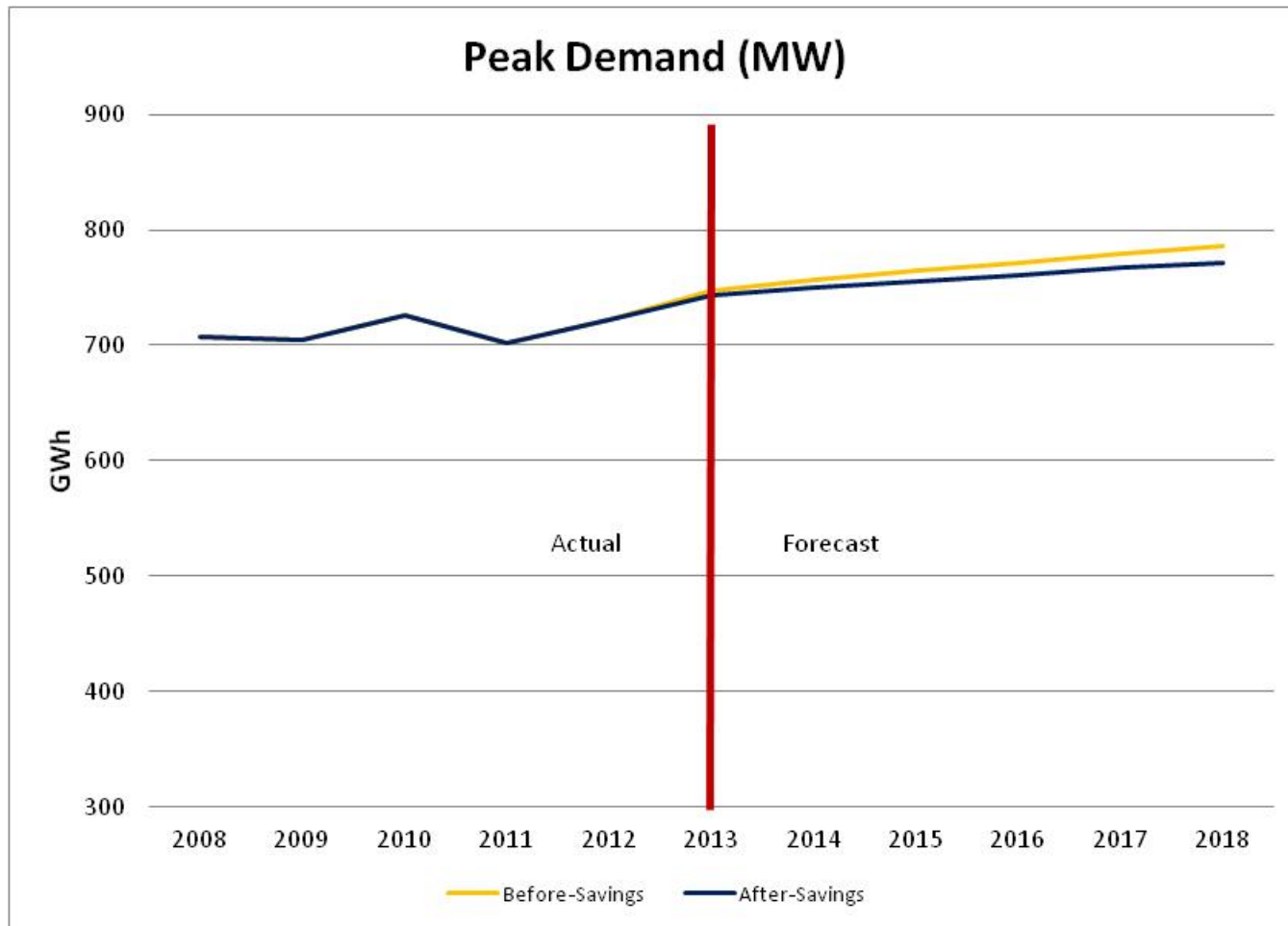
Gross loss rate estimate: 8%

Analysis of 2011 and 2012 billing reports

AMI will further reduce losses



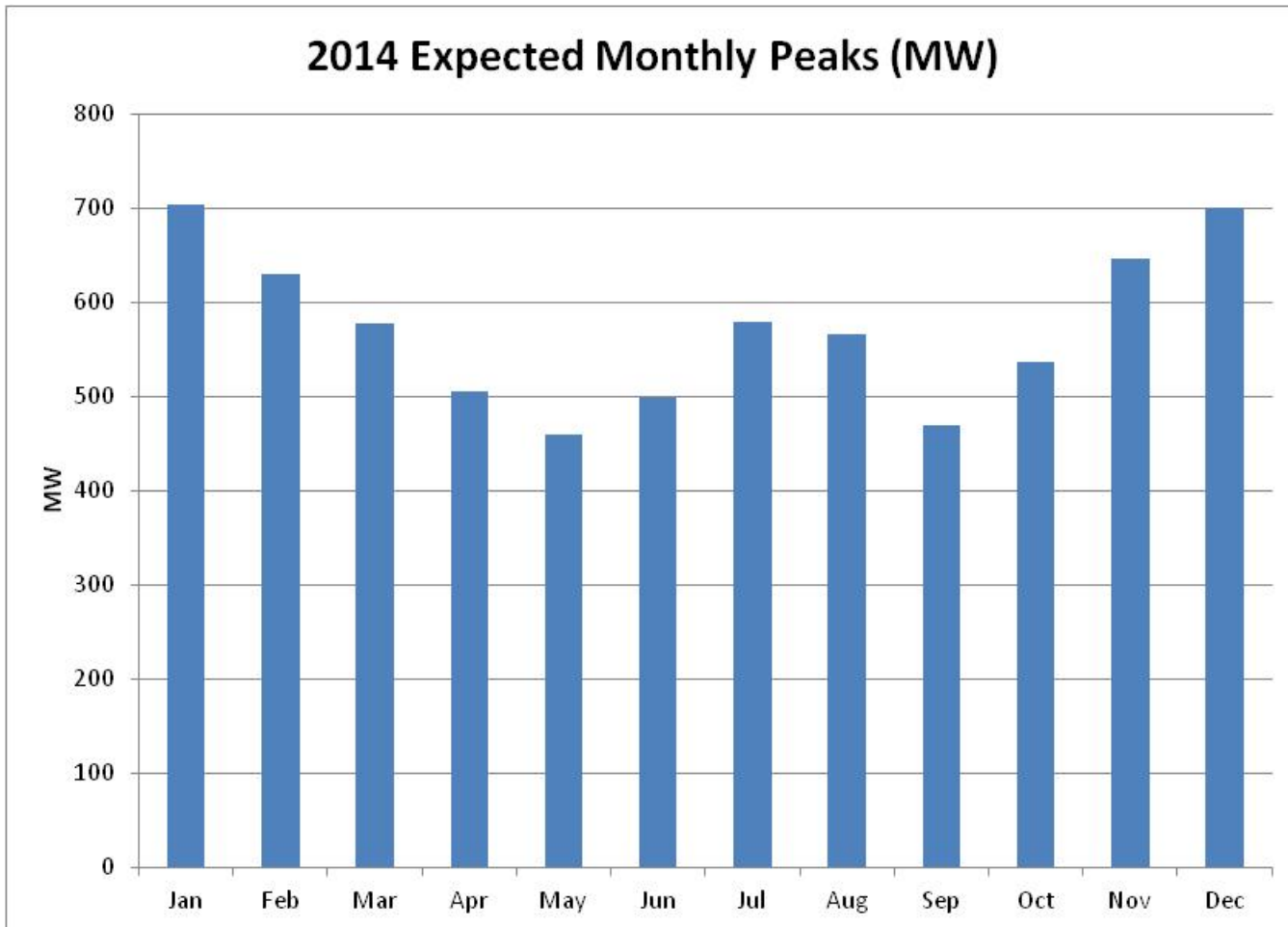
Peak



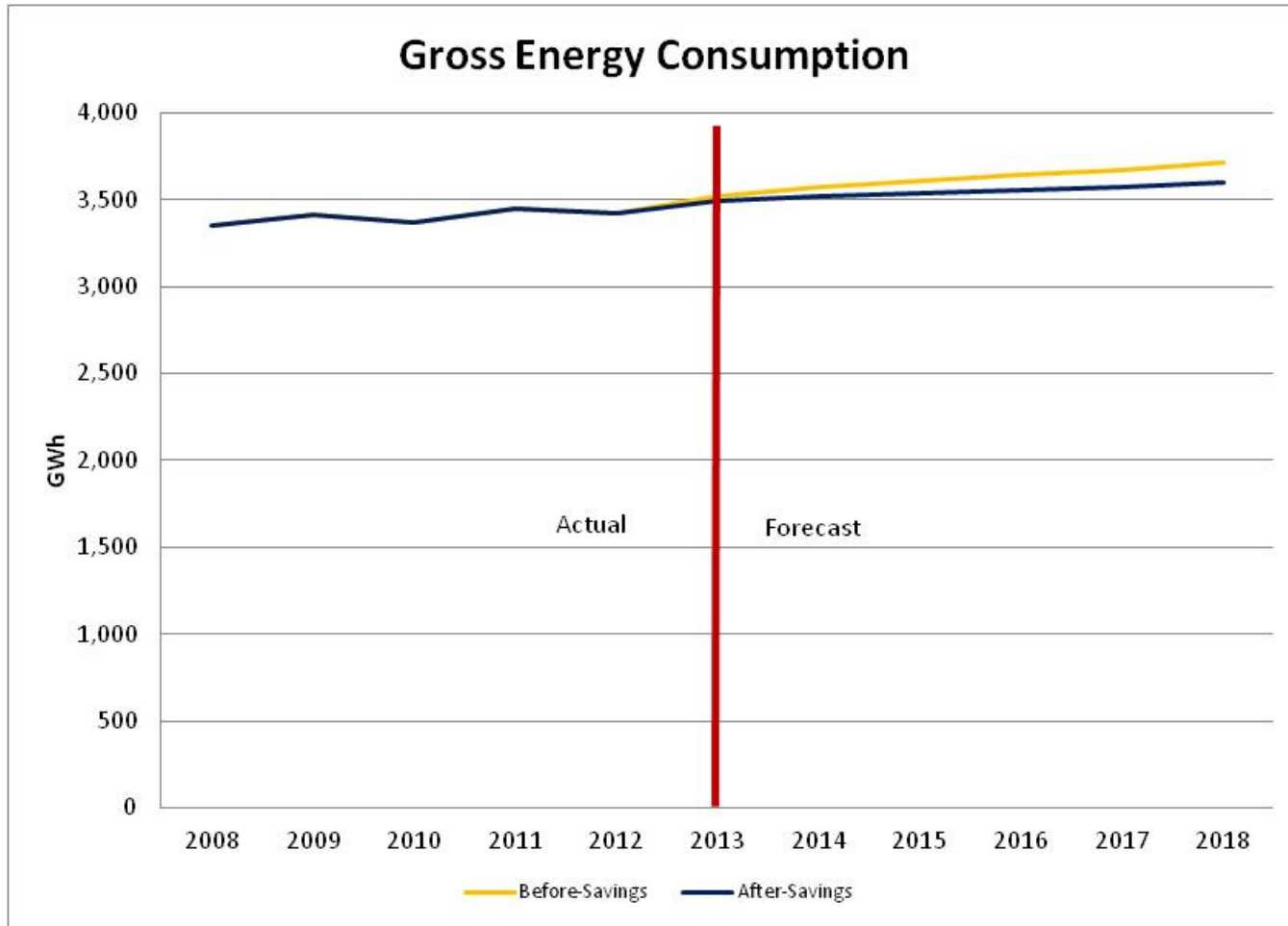
Escalate the ten year historical peak load

Averaging the output for each month and seasonal peaks

Peak



Gross Energy Load



The forecast is reasonable

The forecast will be updated each year

Questions?

Demand Side Management

Keith Veerman

Manager, PowerSense Programs

Outline

Introduction

Long Run Marginal Cost

2014-18 DSM Plan

Cost effectiveness (Benefit/Cost ratio)

Monitoring & Evaluation Plan

DSM Amortization

Introduction

- Reduction in DSM budget to \$3m
- Lower LRMC
- Other drivers
- Mitigate rate impact

Year	\$m	GWh
2008	2.7	27.3
2009	3.5	28.3
2010	3.7	29.3
2011	5.9	36.3
2012	7.3	31.6
2013	7.3	31.5
2014	3.0	12.8

Declining Long Run Marginal Cost

LRMC (\$/MWh)	Milestone
\$154	2010 CDPR
\$104	2012-13 RRA (initial)
\$85	2012-13 RRA (final)
\$56	2014-18 PBR filing

Derivation of \$56/MWh LRMC

Natural gas price forecast

Convert to \$MWh @mid-C

Adders (GHG, wheeling,
losses)

Delivered to FBC
\$Cdn

Levelized \$56.61
MWh

2013 CDPR Potential Update

2010 CDPR: 585 GWh
@\$154/MWh

2013 CDPR Update: 270 GWh
@\$56/MWh

Program Achievable Savings

	2013 CPR update			2010 CDPR
<i>\$/MWh</i>	\$56	\$85	\$129	\$154
<i>GWh</i>	270	477	489	585

2014 DSM Plan (Intro)

Address key end-uses in customer sectors

Continues to meet adequacy requirements

Flexibility provisions in PBR filing period

2014 DSM Plan (Residential)

Home Improvements

Residential Lighting

New Home

Low Income/Rental

2014 DSM Plan (Commercial/Industrial)

Energy assessments

Commercial lighting

Building Improvement Program

Energy Rebate Centre – product rebates

Industrial Efficiency

Cost-Effectiveness

Total Resource Cost Test Basis

Program Area	2014 Plan			TRC incl. mTRC
	Cost	Savings	TRC	
Programs by Sector	(\$000s)	MWh	B/C ratio	
Residential	1,037	5,800	1.2	1.3
Commercial	1,134	6,200	1.4	1.7
Industrial	148	800	2.8	2.8
Subtotal Programs:	2,319	12,800	1.4	1.5
Supporting Initiatives	190			
Planning & Evaluation	492		-	-
Total (incl. Portfolio spend):	3,001		1.2	1.4

Monitoring & Evaluation Plan

New M&E Plan filed

Incorporate timely process reviews

M&E plan 7.9% of DSM budget

DSM Amortization

15 years based on weighted average EML

Harmonizes with BC Hydro

Reduces rate impact

Sector	DSM Plan (2014-18)	EML (years)
Residential	\$5,165	18.0
Commercial	\$5,974	14.7
Industrial	<u>\$ 760</u>	<u>9.9</u>
Total/Average	\$11,899	15.9

DSM Summary

\$3m DSM expenditure schedule

Meets UCA and DSM Regulation requirements

Addresses key customer end-uses

Mitigates rate impact

Questions?

Power Supply

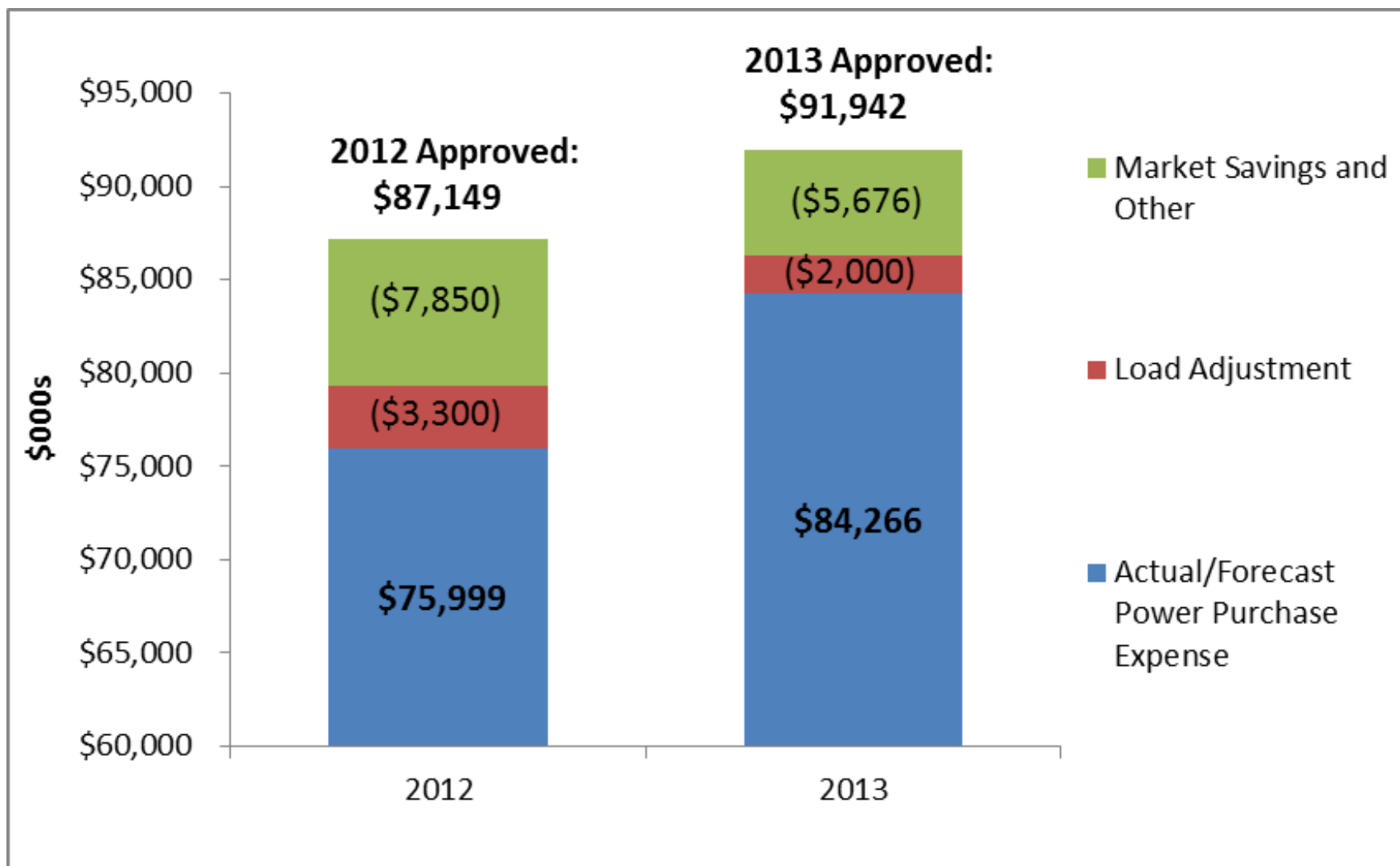
Jamie King

Power Supply Operations Manager

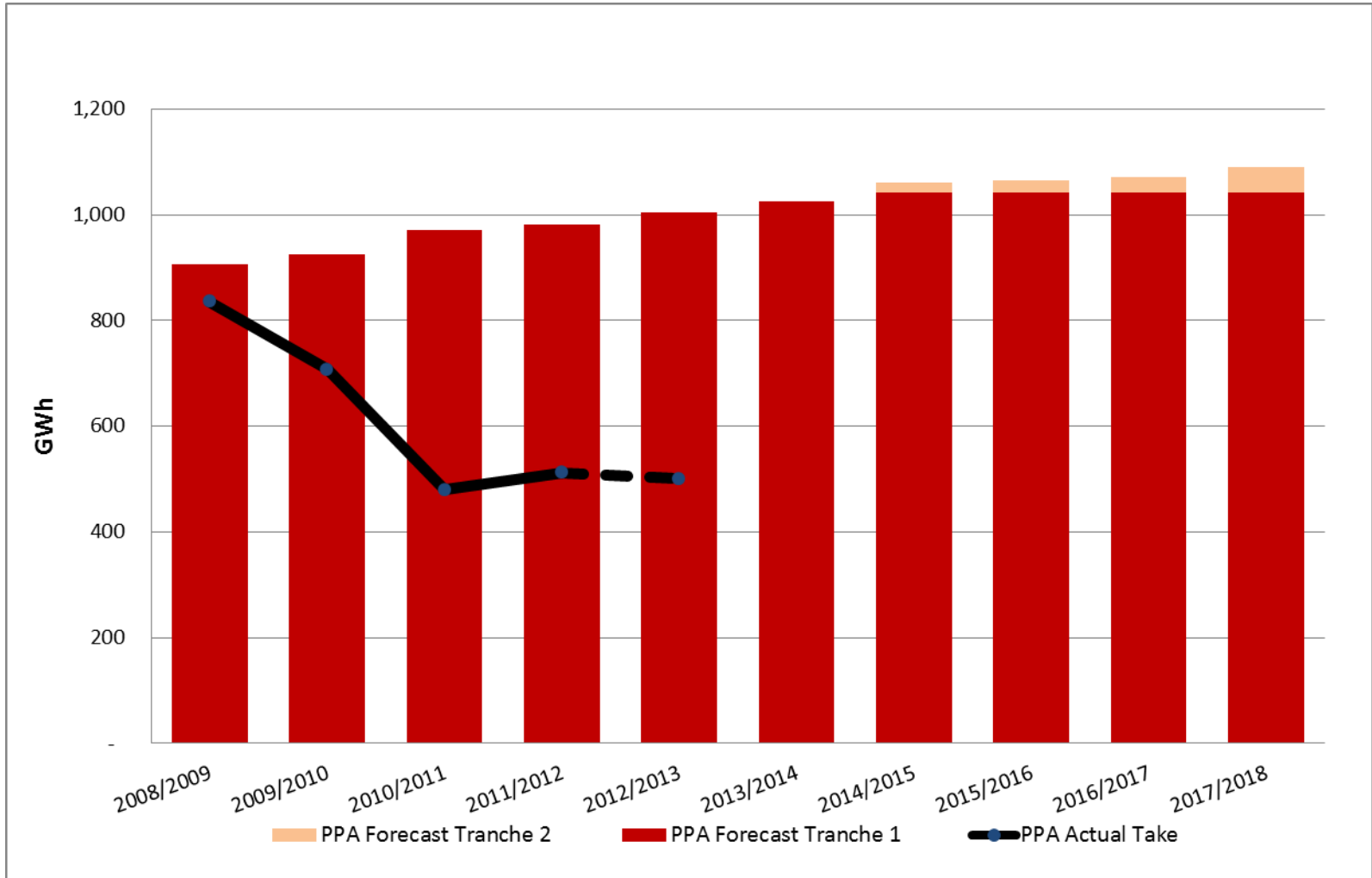
Overview

- Review of 2012 and 2013
- Review of 2014 Forecast
- Overview of 2015 to 2018 Forecast
- Wheeling Expense and Water Fees

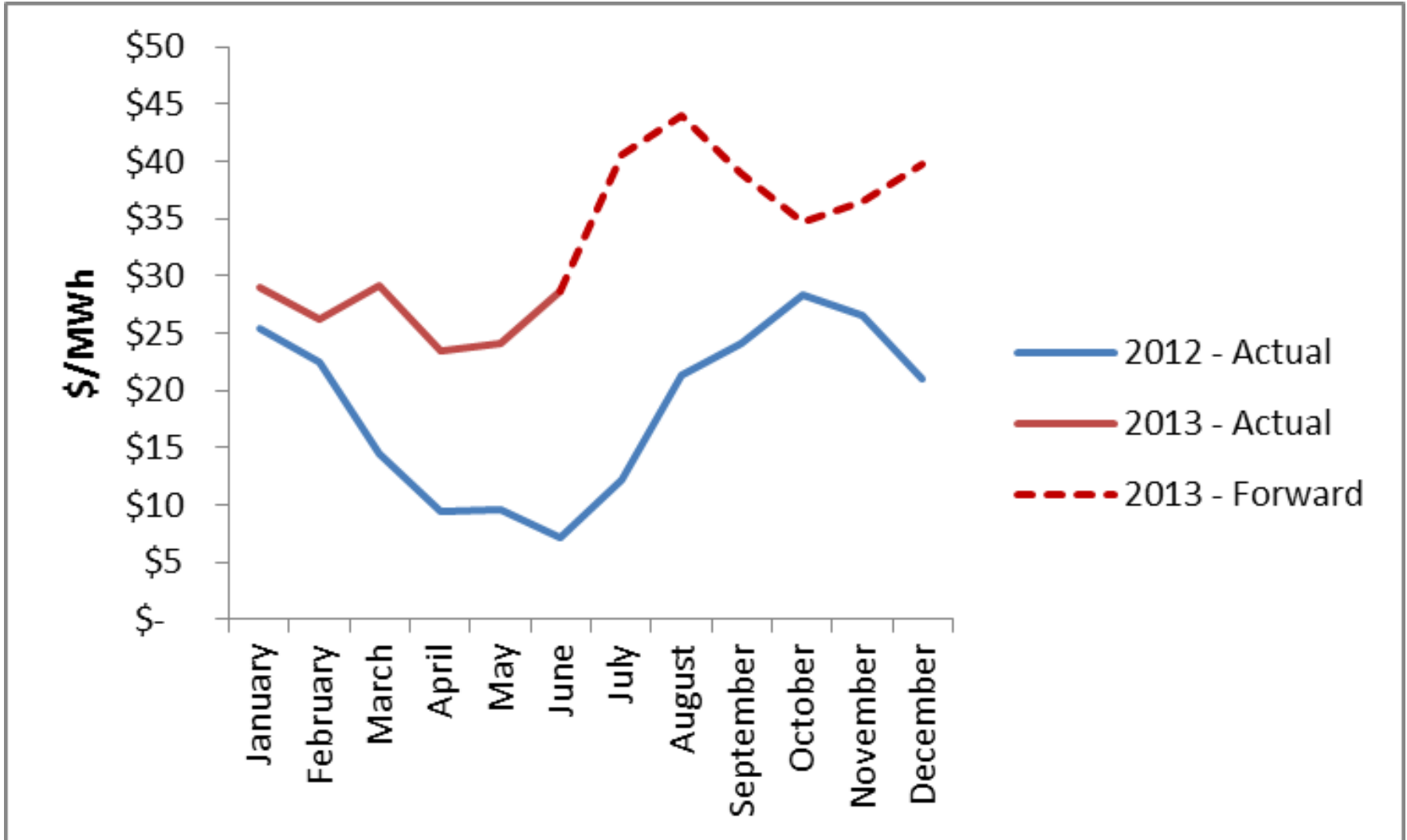
2012 and 2013 Power Purchase Expense



Planned versus Actual BC Hydro Purchases



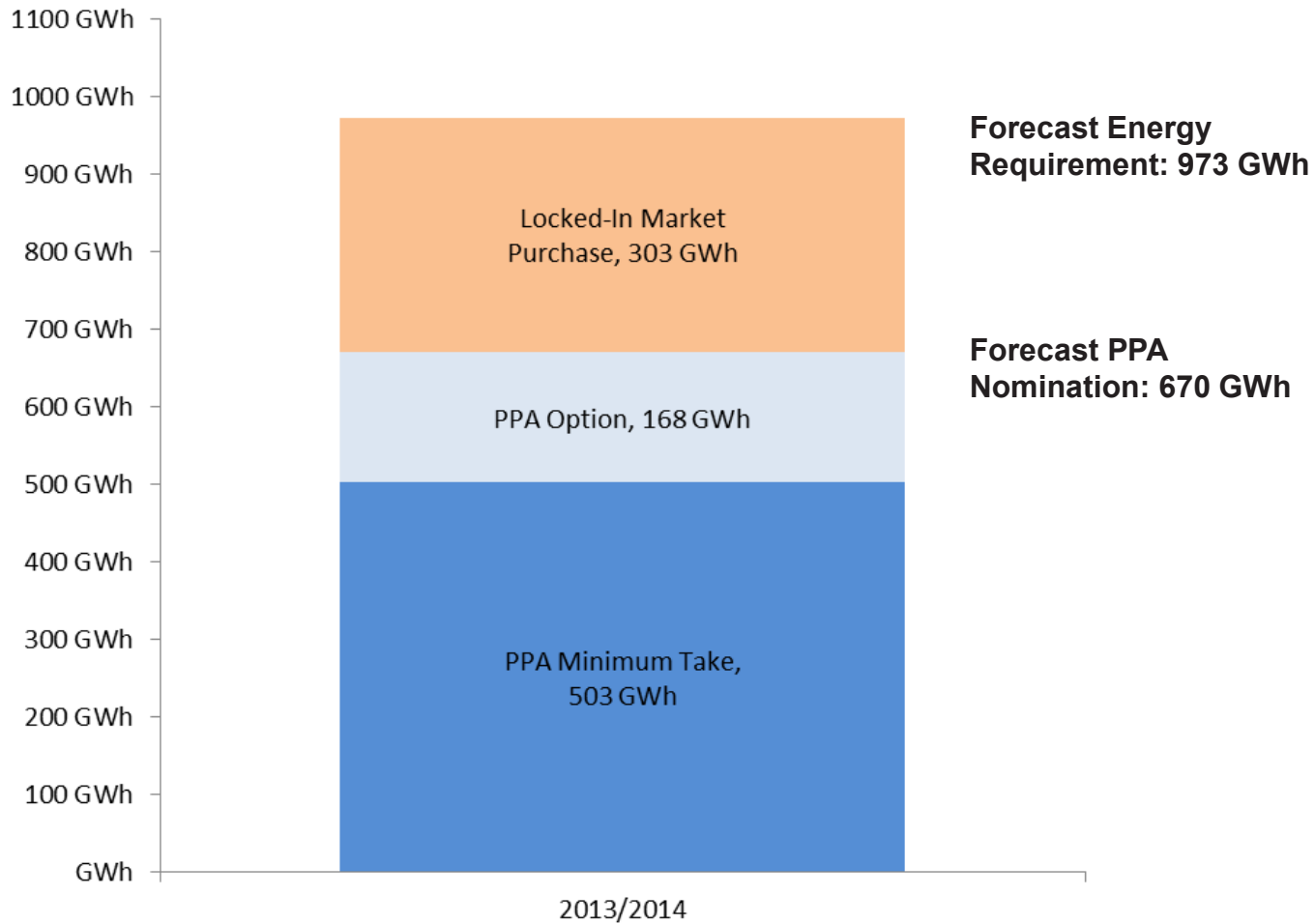
2012/2013 HLH Mid-C Prices Comparison



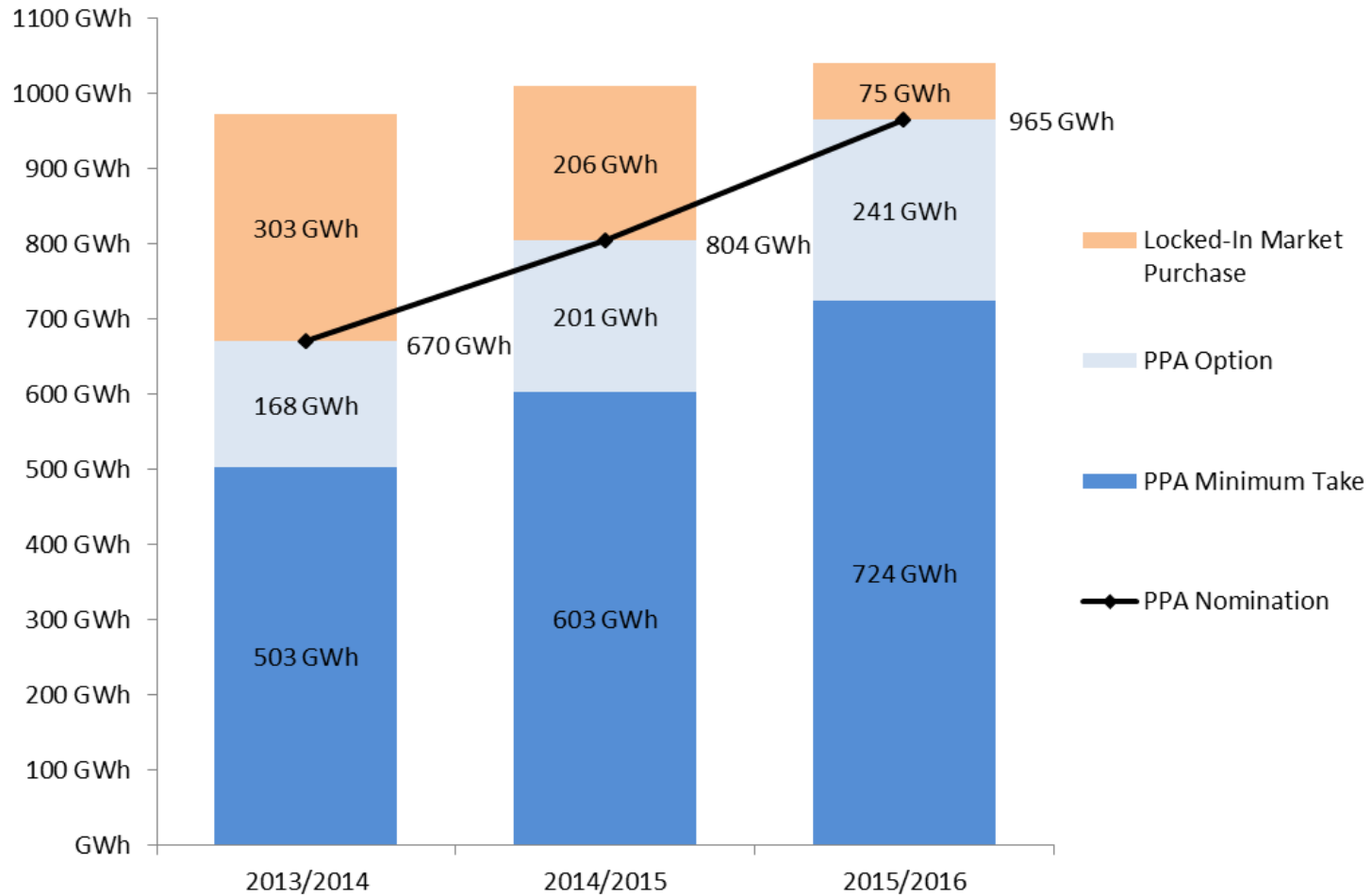
New PPA FortisBC Operational Changes

- Annual Energy Nomination and Minimum Take
- 1,041 GWh limited to BCH embedded cost energy
- Changes to Real-Time Flexibility

Expected PPA Year 1 Nomination



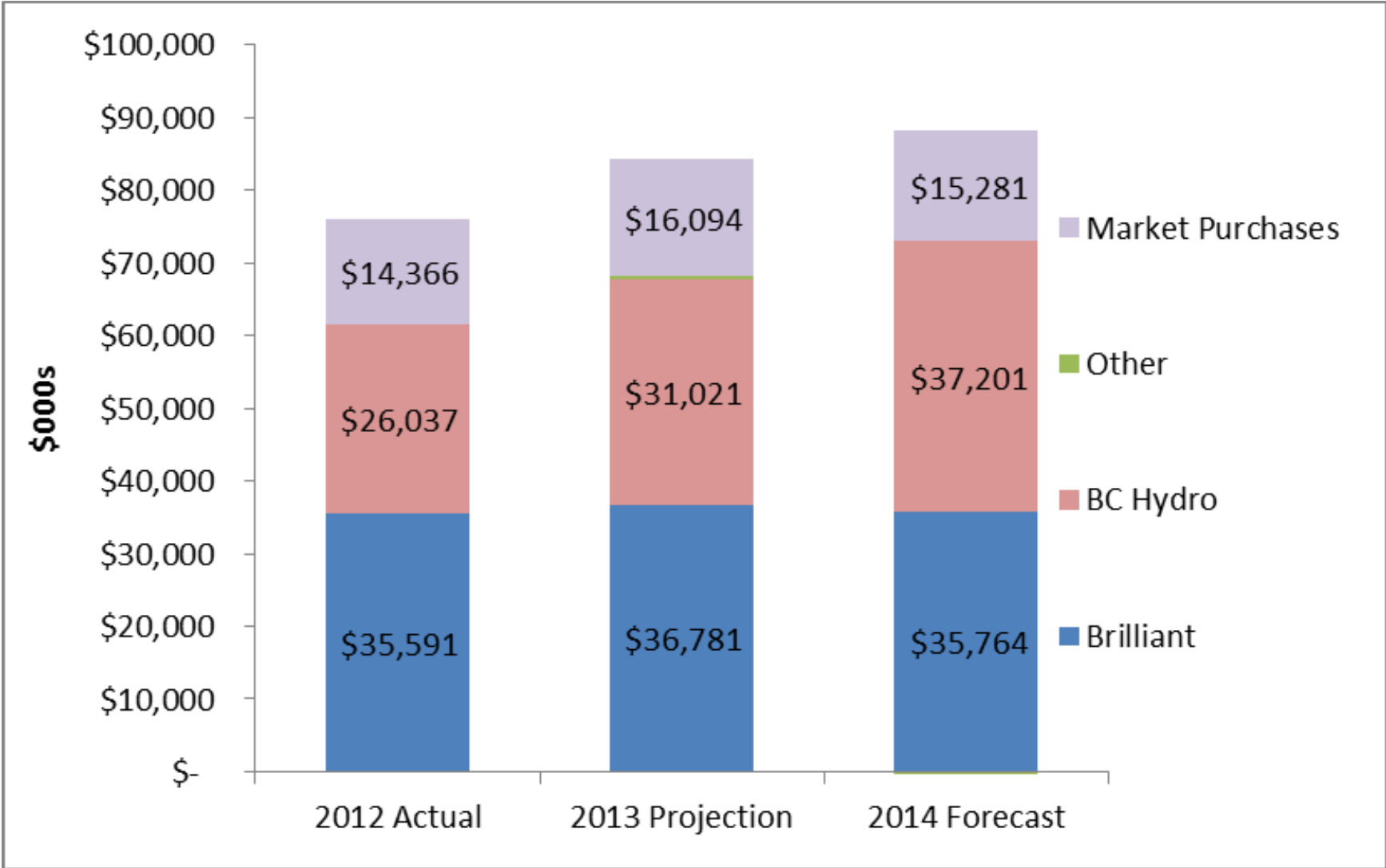
PPA Nomination – 3 Year Outlook



Change to Forecasting Methodology

		2013 Approved (\$000s)	2014 Forecast (\$000s)	Difference (\$000s)
1	Brilliant	36,785	35,764	(1,021)
2	BC Hydro	54,482	37,201	(17,281)
3	Independent Power Producers	158	162	4
4	Market and Contracted Purchases	3,216	15,281	12,065
5	Surplus Revenues	(447)	(594)	(147)
6	TOTAL (before adjustments)	94,192	87,814	(6,378)
7	PPE Adjustment	(2,250)	0	2,250
8	TOTAL	91,942	87,814	(4,128)
9	Gross Load (GWh)	3,534	3,519	(15)

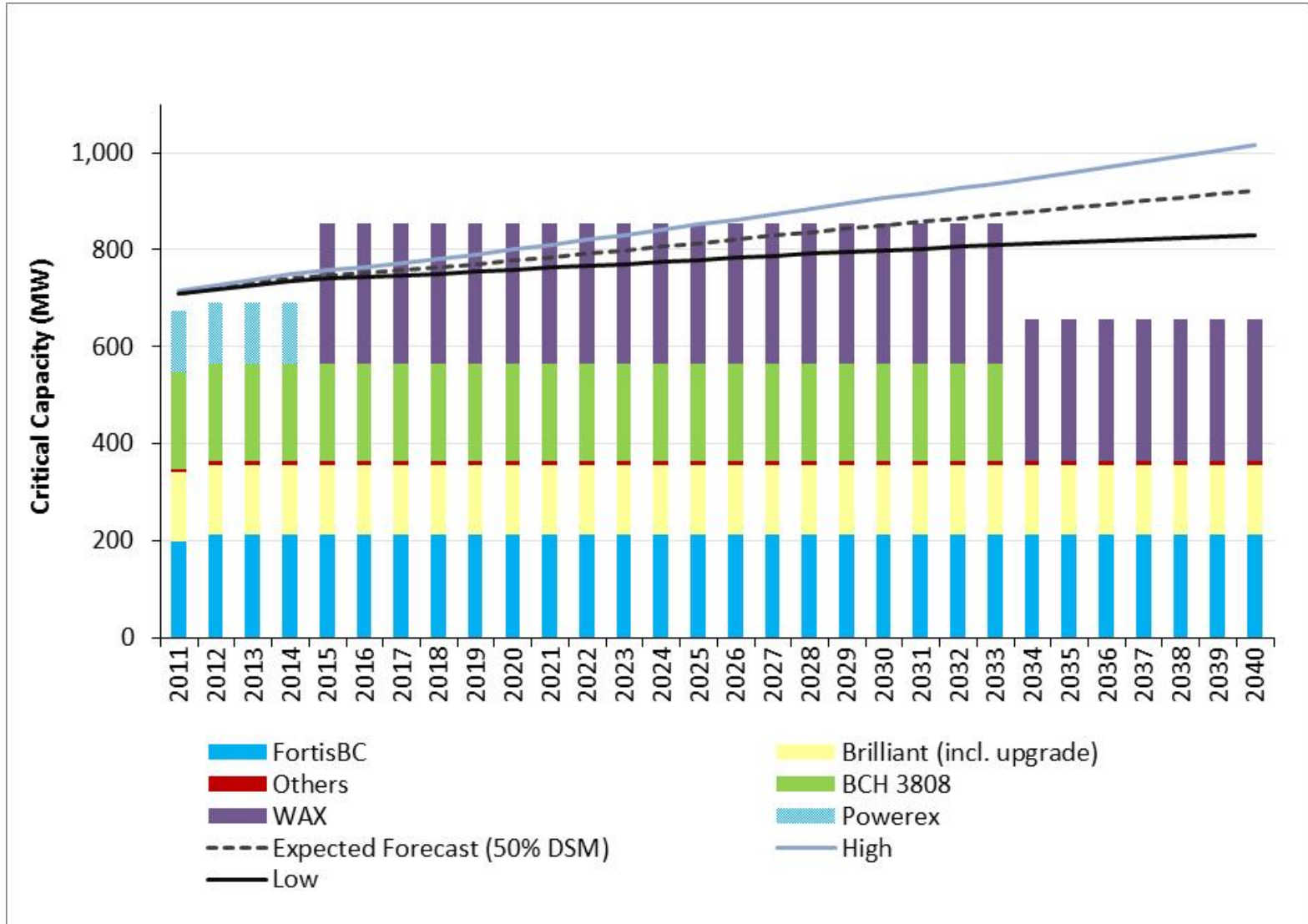
2014 Power Purchase Forecast



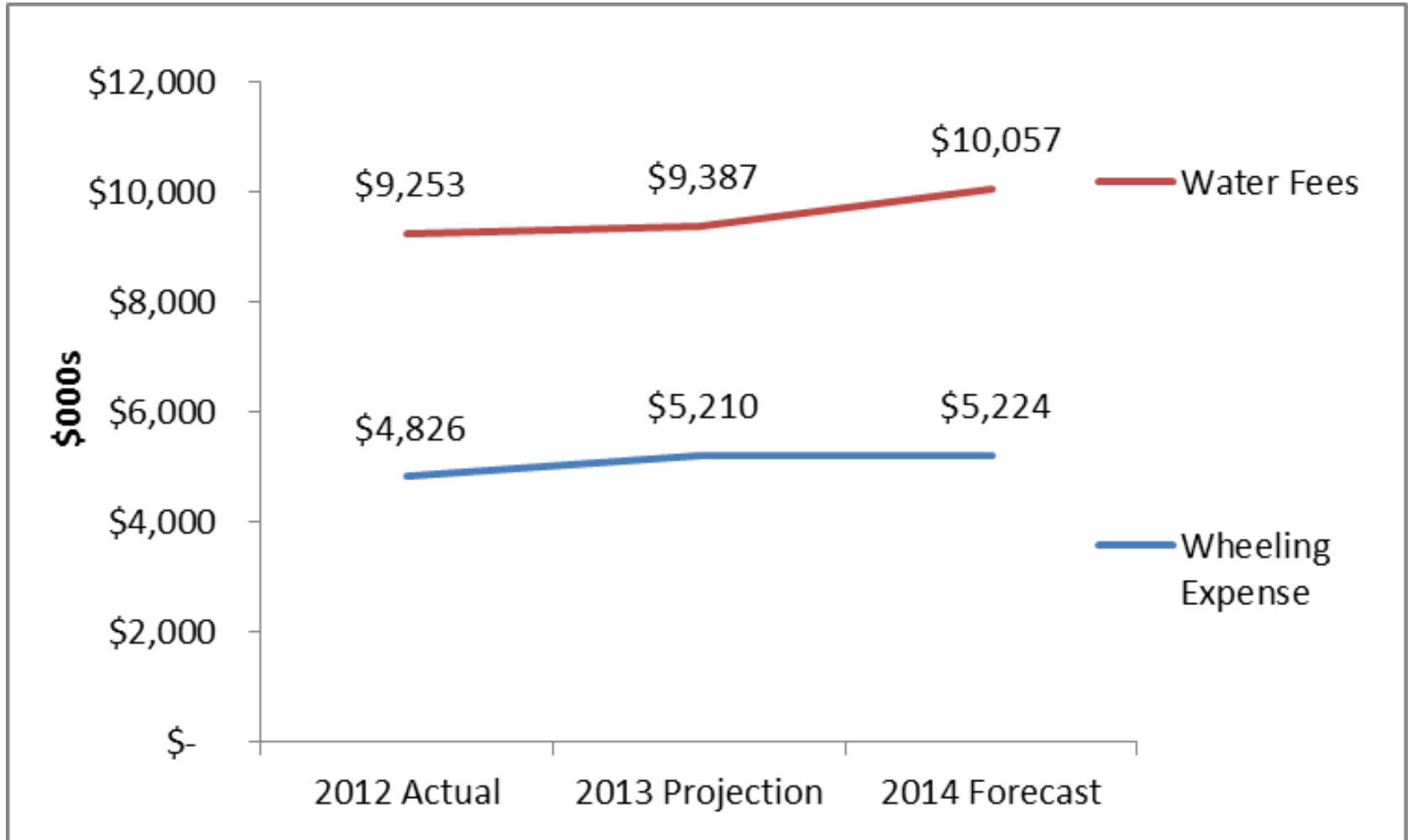
2015 - 2018 Power Purchase Forecast

		Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018
1	Brilliant	38,336	39,151	39,983	40,835
2	BC Hydro	40,660	48,315	51,287	55,712
3	Waneta Expansion	25,864	41,960	42,594	43,597
4	Independent Power Producers	165	169	172	176
5	Market and Contracted Purchases	11,822	5,060	3,125	414
6	Surplus Sales Revenues	-467	-451	-446	-411
7	TOTAL	116,380	134,204	136,716	140,322
8	Gross Load	3,537	3,554	3,572	3,596

Annual Peak Capacity



Wheeling Expense and Water Fees



Questions?

FBC 2014 – 2018 PBR Plan

Joyce Martin

Manager, Regulatory Affairs

Overview

- 2014 PBR Plan
- O&M and Capital Formulas
- Rate Stabilization Deferral Mechanism
- Requests in Application

FBC 2007 and 2014 PBR Plans

2007 – 2011 Plan	2014 – 2018 Plan
5-Year Term	✓
O&M Formula	✓
-	Capital Formula
Earnings Sharing	✓
-	Efficiency Carryforward
Service Quality Indicators	✓
Annual/Midterm Reviews	✓

O&M and Capital Formula

$$\begin{aligned} \text{2013 Base} & \quad \times \quad [1+ (\text{Inflation} - \text{Productivity Factor})] \\ & \quad \times \quad \underline{\text{Forecast Customer Growth Rate}} \\ & \quad = \quad \text{2014 Formulaic O\&M/Capital} \end{aligned}$$

Items Tracked Outside of Formula

- + Pension/OPEB
- + AMI Impact
- + Insurance (O&M only)
- + PCB Compliance (Capital Only)

= 2014 O&M/ Capital

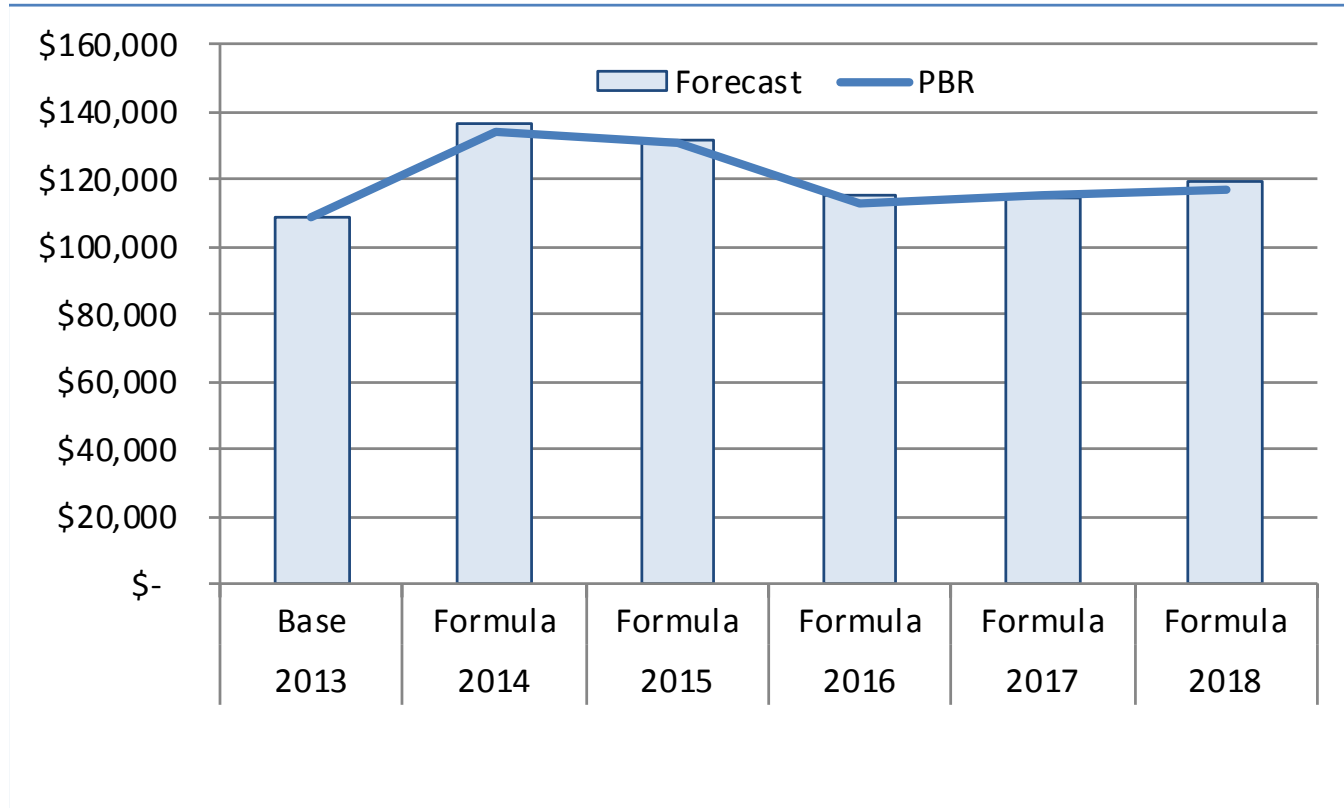
Base O&M

	<u>(\$ thousands)</u>	
2013 Decision		57,621
Net Sustainable Savings		(452)
<u>2013 Adjustments</u>		
Mandatory Reliability Standards	900	
Provincial Sales Tax	180	
Pension/OPEB (O&M Portion)	<u>2,158</u>	3,238
<u>Incremental O&M</u>		
Trail Office Lease	(909)	
Generation Maintenance	<u>350</u>	(559)
2013 Base O&M		<u>59,848</u>

Base Capital

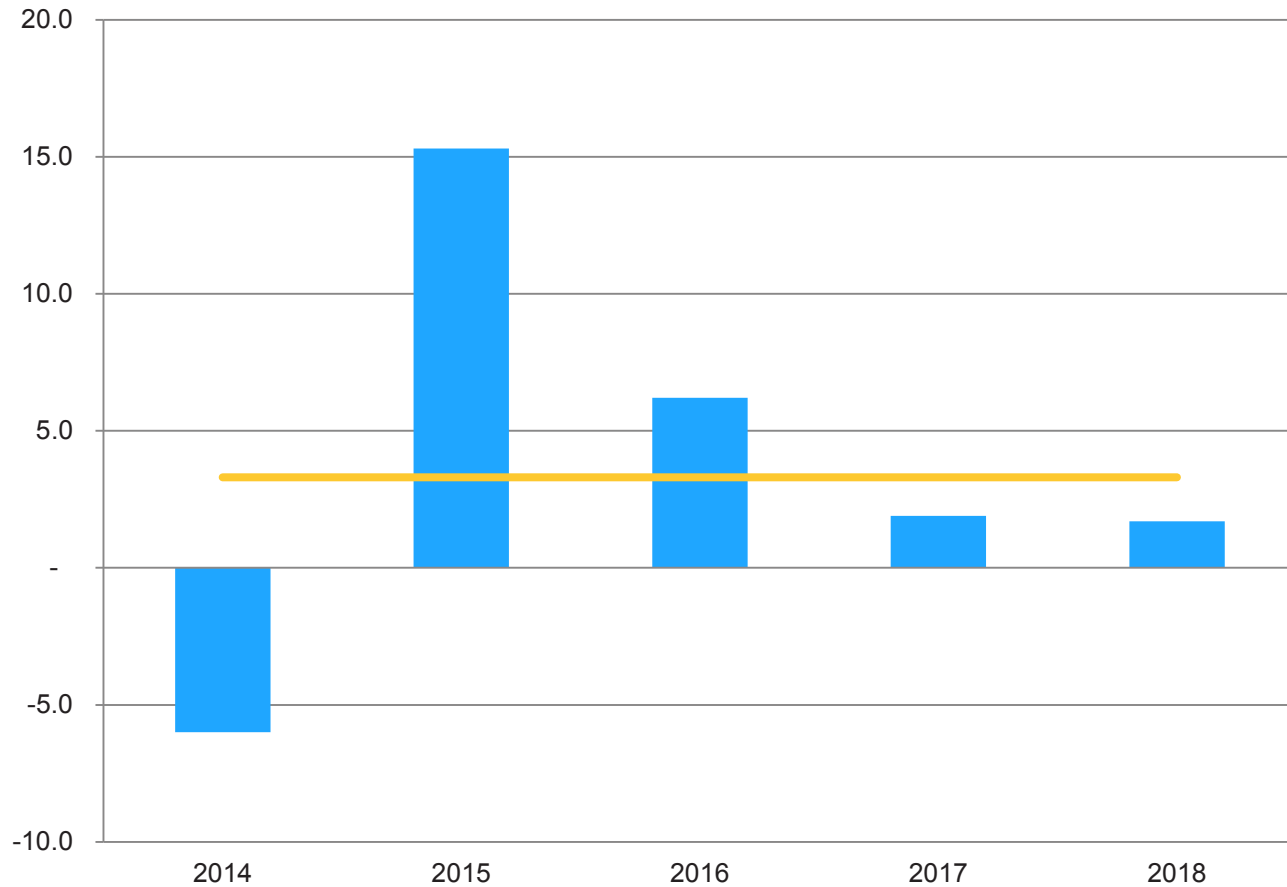
	<u>(\$ thousands)</u>	
2013 Decision		101,970
Less Major Projects		(54,882)
<u>2013 Adjustments</u>		
Provincial Sales Tax	369	
Pension/OPEB (Capital Portion)	1,723	2,092
		<u>49,180</u>
2013 Base Capital		<u>49,180</u>

Formula O&M and Capital vs. Cost of Service



Forecast	\$109,028	\$136,551	\$132,047	\$115,289	\$114,917	\$119,594	Total	\$610,823
PBR	\$109,028	\$134,144	\$130,694	\$113,063	\$115,561	\$117,361		\$618,398
								<u>\$ (7,575)</u>

Rate Stabilization Deferral Mechanism



Rate Stabilization Deferral Mechanism

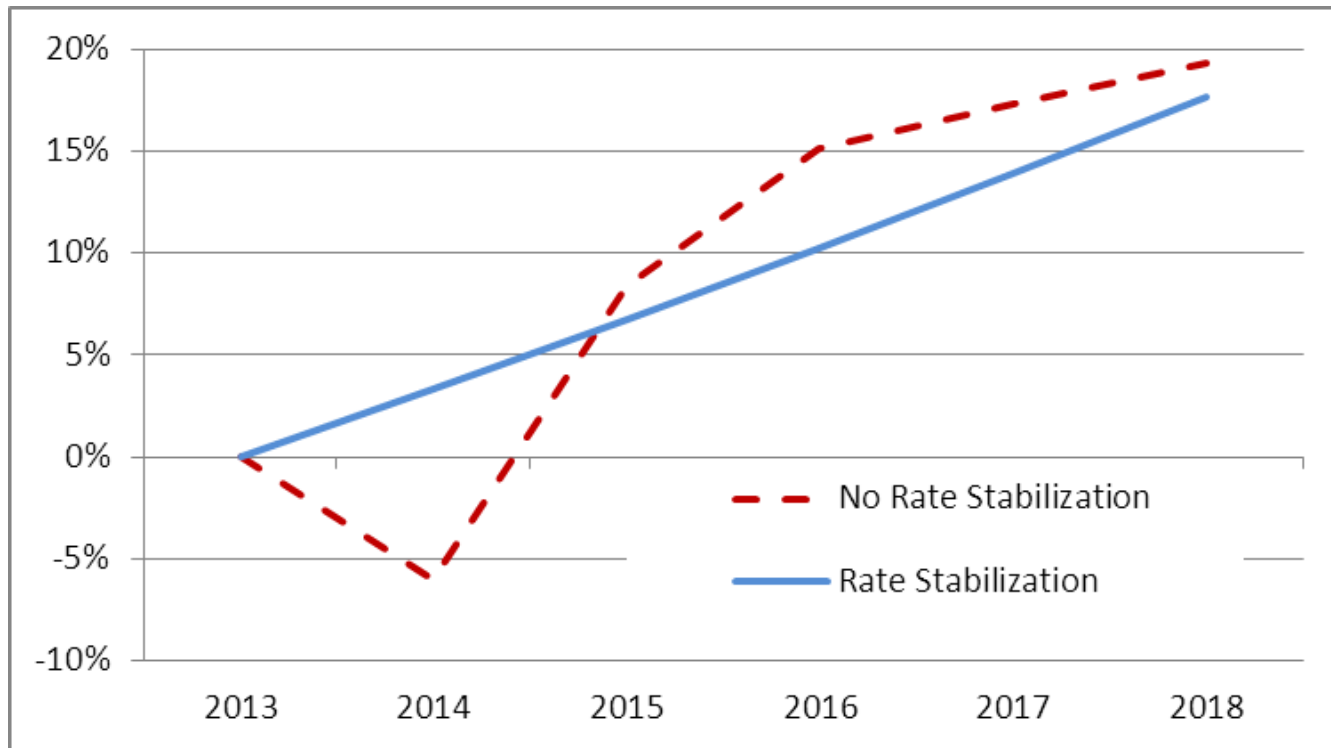
Causes of rate variability in 2014 – 2016:

- Benefits from Flow-through Accounts
 - Power Purchase Expense and Revenue Variances
 - Generic Cost of Capital Stage 1 2013 ROE reduction
 - City of Kelowna Acquisition Customer Benefit
- Increase in Power Purchase Expense in 2015/16
 - Waneta Expansion Capacity

Rate Stabilization Deferral Mechanism

- BCUC directed FBC to develop a rate smoothing proposal
 - Similar to a rate stabilization mechanism in 2000
- Deferred Rate Base Credit of \$22.5M recorded in 2014
- Extinguished over the 2014 – 2018 PBR Term to reduce rate variability
- Items excluded from stabilization mechanism:
 - CPCN Projects
 - Updated forecasts:
 - Stage 2 Generic Cost of Capital proceeding
 - Flow-through and annually forecast cost accounts

Rate Stabilization Deferral Mechanism



FBC Requests in this Application

- Approval of PBR mechanism for 2014-2018
- Approval of Rate Stabilization Deferral Mechanism
- Rate increase of 3.3% for 2014
- Approval to flow through the GCOC Stage 1 impact in 2014
- Approval to flow through any GCOC Stage 2 impact in 2014
- Deferrals – financing treatment, and approval of new/modified, discontinued accounts as identified
- 5 accounting related approvals
- DSM approvals including change to amortization period

Closing Comments and Proposed Regulatory Process

Roger Dall'Antonia

PBR Plan Summary

- Overall the plan is sound
- It uses a composite measure of inflation
- It includes a positive productivity factor which is more aggressive than what is supported by evidence
- The plan correctly focuses on controllable costs and provides for reasonable recovery of uncontrollable, unforeseeable and unpredictable costs
- The inclusion of earnings sharing and efficiency carryover provide added benefits to stakeholders

Preliminary Regulatory Timetable

Action	Date (2013)
FBC/FEI Joint PBR Workshop	Wednesday, June 19
FBC Workshop	Thursday, July 25
Commission Information Request No. 1	Wednesday, August 14
Intervener Information Request No. 1	Wednesday, August 21
FBC Response to Information Requests No. 1	Friday, September 20
Procedural Conference	Friday, October 11
Commission Information Request No2 (Tentative)	Friday, October 18
Intervener Information Request No.2(Tentative)	Friday, October 25
Filing of Participant/Cost Award Budgets	Friday, October 25