

BC~MEU

British Columbia Municipal Electrical Utilities

Cities of Penticton, Grand Forks, New Westminister, District of Summerland, Nelson Hydro



September 6, 2017

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Via Electronic mail:

Commission.Secretary@bcuc.com

Submitted via BCUC website document upload.

BC Utilities Commission
Box 250, 900 Howe Street, Sixth Floor
Vancouver, BC
V6Z 2N3

Attention: Commission Secretary

Re: **FortisBC Inc. Annual Review of 2018 Rates**

In accordance with Commission Order G-116-17 setting out the regulatory timetable for review of the application, the British Columbia Municipal Electric Utilities (the "BCMEU") is submitting Information Request #1.

The BCMEU represents the wholesale customers of FBC and includes the municipal electric utilities operated by the Cities of Nelson, Penticton, Grand Forks and Summerland in regard to this application.

1.0 Ref: 1.2

- 1.1 With FBC seeking a 0.11% rate increase for 2018, are there any factors not yet fully known that could be late additions (e.g. Bank of Canada Interest Rates) that could have a significant impact to the 0.11% General Rate Increase?

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1.2 Does the projected 0.11% increase in electricity rates for 2018 include any increased in BC Hydro rates that will flow through to FortisBC and then on to their customers? If not what is this increase expected to be and what is total percent increase for 2018 electrical rates expected to be?

2.0 REF: 1.4.2

SAP Integration: FBC claims \$0.9M in savings starting in 2019. OMS project: FBC claims \$0.2M in savings starting in 2018.

2.1 Does FBC have a business case for these projects? How are these savings being measured now and into the future? How will these savings be realized?

3.0 REF: 1.4.3.1

3.1 The Actual / Projected figures are higher and in some cases significantly higher than the formula. Should the formula be adjusted to account for the fact that actual expenditures are exceeding formula expenditures?

3.2 Why are the RG Anderson Terminal costs included, when the City of Penticton is paying for the costs of these improvements under a contract to FortisBC?

3.3 Why is the risk exposure higher from deferring capital projects? What is the nature of the risk, and who and how many customers would it effect?

4.0 Ref: 3.5.1.1

4.1 Please discuss why the Use-per-customer (UPC) forecast is going down?

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5.0 REF: 3.5.1.2

5.1 The residential load for FBC 2017S is low – presumably based on experience from 2016 and prior.

5.2 Given that the winter and summer of 2017 had high load periods, should the 2017 and onward forecast be adjusted to reflect this?

6.0 REF: Table 4-3 line 5-8

6.1 Why would FortisBC reduce market purchases in favour of higher cost supply from BC Hydro?

7.0 REF: 4.5

7.1 Are rate payers paying for assets that are being used purely for energy export sales such as those going to the USA through 71 line? Are these energy export sales being deducted from the rate increase calculation? Are these profits being shared with the customer that is paying for the assets that make these sales possible?

8.0 REF: 7.6

8.1 Has any work been done to determine what actual depreciation rates are occurring vs those agreed to in Order G-202-5 and C-7-13? What steps has FortisBC taken to investigate and action how they could increase the service lives of their assets thereby decreasing the annual depreciation amounts?

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9.0 REF: 8.1-8.3.3 / Table 8-1

Interest rate proposed by FortisBC as compared to the Municipal Finance Authority rates.

FortisBC Short Term	3.45%
MFA Sort Term	1.74%
FortisBC Long Term	3.80%
MFA Long Term	3.41%

9.1 Typically MFA rates are lower than what the private sector can achieve. That being said, the FortisBC short term rate of 3.45% appears high. We would appreciate a finance person's point of view on how FBC manages the interest rates.

10.0 REF: 10.3

10.1 2015 Earnings sharing was \$0.356 million higher than projected and will now be shared in F2018. Why was this not shared in 2017? Are the 2016 actual results being included in the 2018 earnings sharing?

11.0 REF: 10.4

11.1 What would the General Rate Change need to be if the \$0.831 million earnings sharing were not possible?

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12.0 REF: 12.2.1

12.1 At what point does maintaining mandatory reliability standards become part of everyday business and not an extra item? All businesses strive to improve and protect themselves. Is meeting reliability standards not part of everyday business?

13.0 REF: 13

P 132 line 23 to P133 Line 17:

13.1 How is the CSI survey conducted and how many customers are contacted? What is the response rate from customers?

14.0 REF: Table 13.1

14.1 Please discuss whether the billing index threshold of ≤ 5.0 is appropriate given the results are ≤ 0.57 and lower.

The BC~MEU appreciates the opportunity to participate in this process and the opportunity to attend the Workshop in Vancouver on October 24, 2017.

Yours truly, on behalf of the BC~MEU

Marg Craig
Nelson Hydro/BC~MEU
cc: Alex Love GM Nelson Hydro
BC~MEU members,
Chris Weafer – Owen Bird Law