REQUESTOR NAME: **Irrigation Ratepayers Group (IRG)**
INFORMATION REQUEST ROUND NO: **1**
TO: **FortisBC Inc.**
DATE: **September 6, 2017**
APPLICATION NAME: **FortisBC Inc. – Annual Review for 2018 Rates**

1.0 Reference: Exhibit B-2, 1.4.1 Overview of O&M Savings, PDF 13

Preamble: The Application states (PDF 13):

While some of the savings are one-time in nature, some of the savings are the result of efficiencies which are expected to continue into the future, recognizing that cost pressures in the future may offset such savings. Upcoming costs related to cyber security are an example of such cost pressures.

O&M costs for cyber security are expected to increase in 2018 by approximately $0.2 million, along with additional and related capital expenditures.

1.1 Are costs related to cyber security the largest upcoming cost pressure identified by FBC? If not, please identify any upcoming cost pressures larger than cyber security.

1.2 Please identify any other upcoming material cost pressures identified by FBC and provide an indication of the dollar amount of such cost pressures in 2018 and beyond.

1.3 Is the $0.2 million increase in 2018 O&M costs for cyber security expected to be a recurring cost in 2019 and beyond, or escalate above that amount?

1.4 What steps has FBC taken to mitigate rising cyber security costs by coordinating efforts with FEI, BC Hydro or other utilities?

1.5 In focusing "… on securing its systems and educating users on identifying different types of cyber-attacks" who are the "users" FBC refers to? If "users" include FBC customers, please provide examples of how such education is carried out across different customer classes.

NOTE: Due to the nature of this series of IRs, the IRG encourages FBC to consider providing confidential responses if appropriate.

2.0 Reference: Exhibit B-2, 1.4.2 Initiatives Undertaken, SAP Integration, PDF 14

Preamble: The Application states (PDF 15):

The project has started with completion expected in the third quarter of 2018. The total cost of the project is estimated at $4.5 million. Based on the number of employees between the two companies (75% FEI, 25% FBC), approximately $3.4 million of the implementation costs will be allocated to FEI with the remaining $1.1 million to FBC. Total O&M savings for the project are expected to be approximately $0.9 million annually, with $0.6 million expected in FEI and $0.3 million in FBC. The savings will be realized beginning in 2019.

2.1 Assuming that the SAP Integration project is completed as expected in the third quarter of 2018 would a pro-rated O&M savings (e.g. $0.3 million annual savings X 4 months = $0.1 million savings) be realized in 2018?

2.2 Will FBC be able to realize some savings from the SAP Integration project on a phased-in basis or is it necessary to have the project 100% completed before *any* O&M savings may be realized?

3.0 Reference: Exhibit B-2, 3.2 Overview of Forecast Methods, PDF 30

Preamble: The Application states (PDF 30):

The load forecast for residential customers is based on forecasts for customer count and UPC, consistent with past practice. Specifically, the UPC is forecast and is then multiplied by the corresponding forecast of the number of customers to derive the load forecast. The commercial load forecast is based on a regression against the Conference Board of Canada (CBOC) Gross Domestic Product (GDP) forecast, while the lighting and irrigation forecasts are based on trend analysis and a 5-year average, respectively. Wholesale and industrial forecasts are primarily based on customer-specific survey results.

3.1 Please explain why a 5-year average is a more appropriate basis for irrigation load forecasts than the approaches used for other customer classes (e.g. customer count and Use Per Customer (UPC), or customer-specific survey results)?

3.2 Please confirm that although "…no statistically significant trend was found…"[1] for the Irrigation class, in the remaining years of PBR FBC will continue with its past practice of checking for trends in the historical load data for the Irrigation class.

[1] Application, Section 3.5.6 Irrigation, PDF 38.

4.0 Reference: Exhibit B-2, 3.5.7.1 Advanced Metering Infrastructure (AMI) Impact on Losses, PDF 40

Preamble: The Application states (PDF 40):

Consistent with past practice FBC assumed a loss rate of 8 percent of gross load, before the AMI impact. The 8 percent loss rate was based on a loss study that was conducted in 2012, which is still in line with the loss rate that FBC is seeing on an annual basis (averaging 7.88 percent over the previous three years, after DSM and AMI impacts). AMI loss reduction is expected to further reduce the losses in the future. As shown in Figure 3-9 below, after-savings energy losses are forecast to decrease by 3 GWh in 2018.

4.1 Does FBC believe that the "Commission's determination to limit the number of assumed marijuana grow cycles to three per year" remains appropriate or is there reason to revisit that conclusion?

4.2 What actions other than AMI has FBC taken to identify and prevent theft or fraud on the distribution system?

4.3 Has FBC reviewed best practices of other electric utilities regarding detection and deterrence of theft or fraud on distribution systems? If not, does FBC believe that would be a worthwhile initiative?

5.0 Reference: Exhibit B-2, 5 Other Revenue, PDF 51

Preamble: The Application states (PDF 51):

As shown in the table below, FBC is forecasting other revenue for 2018 to be $0.360 million higher than the amounts approved for 2017. The main driver of this increase is Other Recoveries, which reflects income earned on construction work performed for a third party that will be recognized in 2017 and 2018. This income, which is expected to be $1.072 million with approximately 80% earned in 2017 and the remaining 20% earned in 2018, is also responsible for the increase in the 2017 Projected compared to the approved value.

5.1 Will FBC's "escalations in unit rental rates", primarily for pole contact revenue, keep pace with such rates charged by BC Hydro or other utilities in comparable jurisdictions?

5.2 Given the material amount of Other Revenue (i.e. equivalent to approximately 43% of FBC's proposed distribution of $0.831 million in earnings sharing to customers in 2018), does FBC plan to actively pursue similar or increased construction work and rentals in 2018 and beyond?

6.0 Reference: Exhibit B-2, 7.8.1 Cash Working Capital, PDF 68

Preamble: The Application states (PDF 68):

The revenue lag associated with sales revenue is primarily a function of the frequency of billing. The majority of residential and commercial customers are currently being billed on a bi-monthly basis which corresponds with the bi-monthly manual meter reading schedule. Following the completion of FBC's AMI project, the Company is offering a new billing option to provide customers with monthly billing based on verified meter reads. Depending on the number of customers choosing this option, the revenue lag component of working capital may be reduced. In its Decision and Order G-16-14 approving FBC's proposed AMI-Enabled Billing Options, the Commission directed that FBC must flow through any incremental working capital benefits to customers by way of the Flow-through deferral account approved in Order G-139-14.

6.1 Please confirm that in this context FBC's reference to "bi-monthly" billing means customers are billed once every two months (note: bi-monthly is an ambiguous term also used in some contexts to indicate twice in one month).

6.2 What percentage and number of residential and commercial customers does FBC expect to opt for monthly billing in 2018? Please provide support for that expectation.

6.3 Please quantify the incremental working capital benefits FBC expects to be realized in 2018 as a result of residential and commercial customers opting for monthly billing. If practical, please provide the 2018 Forecast Revenue Lag in a table that enables reasonable comparison to Table 7.6: Calculation of 2016 Revenue Lag.

6.4 As the option to switch from bi-monthly billing "beginning in 2016" now has been available for a considerable time, is it reasonable to assume that most customers who intend to switch from bi-monthly to monthly billing have already done so?