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February 27, 2018

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

**Re: FortisBC Inc. 2017 Cost of Service Analysis and Rate Design Application
Project No.1598939
Errata dated February 27, 2018**

FBC provides the following errata to the FBC 2017 Cost of Service Analysis and Rate Design Application dated December 22, 2017 (Application). Replacement pages are attached.

1. Appendix A to the Application – EES Report

On page 23 of Appendix A, under the heading, **Classification of Generation and Transmission Rate Base**, a number of values were not updated for 2017 as follows:

“...while the average energy expected from these plants is 180 MWa.” should read,

“...while the average energy expected from these plants is **182** MWa.”

And,

“This output reflects 47 percent of the 2009 energy requirement and 35 percent of the sum of the monthly capacity requirements”, should read,

“This output reflects 47 percent of the **2017** energy requirement and **39** percent of the sum of the monthly capacity requirements”.

This error does not result in any impacts to the results or recommendations contained in the Application as the correct values were used in the COSA model.

FBC apologizes for the circumstances that necessitated these corrections and for any related inconvenience this may have caused to the Commission and Interveners in reviewing the Report.

If further information is required, please contact Corey Sinclair at (250) 469-8038.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachment

cc (email only): Registered Parties

characteristics. Other classifiers sometimes used in the process include revenue-related and direct assignment. In addition, there are many instances where costs are not specifically classified to a particular category but rather in the same manner as an individual cost account or subtotal of specific cost accounts.

Classification of Generation and Transmission Rate Base

FortisBC owns generation from four hydro-generation facilities collectively referred to as the Kootenay River Plants. Output from these plants is governed by a water coordination contract with BC Hydro, and other parties on the Kootenay River which predefines the amount of power that can be used at various times. Peak capacity forecast for December 2017 for the Kootenay River Plants is 208 MW, while the average energy expected from these plants is 182 MWa. Note that the measurement of MWa is based on the total MWh generated by the plant divided by the 8,760 hours in the years. This output reflects 47 percent of the 2017 energy requirement and 39 percent of the sum of the monthly capacity requirements. The remainder of FortisBC's power supply needs is met with power supply purchases.

In the 1997 COSA, generation rate base was all considered to be energy-related. This ignores the fact that the output is available at the time of FortisBC's peak load and contributes to the capacity needed to serve loads. Because the Kootenay River Plants provide both capacity and energy to FortisBC, the 100% energy method was rejected in the 2009 COSA and it was determined that the generation rate base should be split between demand and energy for purposes of the COSA.

Generation classification can be done using several different methods, most of which rely on looking at the use of various types of plants and their purpose within the system. For a utility with multiple generating plants it is common to look at the function of each plant in serving energy and demand needs, with some plants considered peaking units and others more related to providing energy. Sometimes the capital costs of a plant are considered demand-related and operating costs are considered energy-related, particularly for plants having significant fuel costs. Another approach is a peak credit method where the demand component is based on the cost of building a plant designed primarily to meet peak loads and any additional plant costs are deemed to be energy related. Other times the market based pricing of demand and energy components are used to develop the classification split.

In the case of FortisBC, the Kootenay River Plants are the only utility-owned generation, and costs associated with the plants are a small percent of total power supply costs. This makes it difficult to use many of the standard classification methodologies and the small level of costs involved do not warrant a time-consuming or expensive study of the issue. On the other hand, BC Hydro does have a great deal of utility-owned generation and has had their classification of generation costs reviewed and approved through the regulatory process.

To develop the classification split for FortisBC, the output from the Kootenay River plants was priced as if it were purchased at the BC Hydro 3808 rate to determine the equivalent split in