3 November 2020

**VIA E-FILING**

Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

BCPIAC
Public Interest Advocacy Centre

Reply to:
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Ph: 604-687-3034
Our File: 7310.130

Dear Ms. Tresoglavic,

**Re: FortisBC Energy Inc. - Annual Review for 2020 and 2021 Delivery Rates**

We make the following submissions on behalf of our clients, the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and the Tenant Resource and Advisory Centre, known collectively in this Annual Review process as "BCOAPO et al." The constituent groups of BCOAPO et al. have large and diverse memberships and/or client populations, many of whom are served by FEI. As such, we are here to represent their interests as a representative of residential ratepayers within BC, and more specifically in this process, the interests of FortisBC Energy Inc.'s ("FEI" or "Fortis") residential ratepayers.

## The Application

In Order G-165-20, the BCUC approved the Multi-Year Rate Plan for FortisBC Energy Inc. (FEI) and Fortis BC Inc. (FBC) for 2020 through 2024. In compliance with that Order and BCUC Order G-209-20, on August 12th of this year, FEI filed its materials in support of its position in this Annual Review Application for the first and second years of its MRP.

The specific approvals sought in this Application are:

1. Existing 2020 interim rates be made permanent, effective January 1, 2020;
2. A permanent delivery rate increase of 6.59 percent, effective January 1, 2021;
3. The following deferral account approvals as described in Sections 7.5 and 12.4:
    - Creation of rate base deferral accounts for the following regulatory proceedings:
        - Annual Reviews for 2020 to 2024 Rates, with balances to be amortized in the following year;
        - 2022 Long-Term Gas Resource Plan, with the amortization period to be determined in a future proceeding;
        - BCUC Initiated Inquiries, with balances amortized in the following year; and
        - The City of Coquitlam Application Proceeding, with amortization over three years beginning January 1, 2021.
    - The previously-approved 2020 Revenue Requirement Application deferral account to be renamed to the 2020-2024 MRP Application deferral account, and amortized over a five year period beginning January 1, 2020; and
    - Draw down of the 2017 & 2018 Revenue Surplus deferral account in the amount of $10.338 million in 2020 and 435.287 million in 2021, bringing the account balance to zero.
4. A Biomethane Variance Account (BVA) Rate Rider for 2021 in the amount of $0.022 per gigajoule (GJ) as calculated in Section 10.2.1;
5. Revenue Stabilization Adjustment Mechanism (RSAM) riders for 2021 in the amounts set out in Table 10-5 in Section 10.2.2;
6. Continuation of the debiting of the Midstream Cost Reconciliation Account (MCRA) and crediting of Other Revenue in the amount of $300 thousand per month for the period of January 1, 2020 to October 31, 2020. Effective November 1, 2020, and for the duration of the MRP term, debiting of the MCRA and crediting of Other Revenue in the amount of
7. $346.617 per MMcfd (equivalent to approximately $0.3059/GJ per day), as described in Section 5.3.2;

8. The 2021 Core Market Administration Expense (CMAE) budget of $5.524 million, as set out in Appendix B, and the allocation of the CMAE between FEI's Commodity Cost Reconciliation Account (CCRA) and MCRA based on the existing allocation percentages of 30 percent and 70 percent, respectively; and
9. To record COVID-19 incremental costs and related savings from 2020 and 2021 into the previously approved COVID-19 Customer Recovery Fund Deferral Account as discussed in Section 12.2.1 of the Application.

The Annual Review Workshop took place on October 14, 2020 as scheduled with undertakings filed on October 20, 2020.

**FEI's Rate Proposal**

We have examined the evidence on the record and we have not identified any indications that, within the context of the approved MRP, there are issues with its 2020 rate base, nor its calculation and application of the approved growth factors on its formulaic O&M and Capital Expenditures amounts. We have also looked at other components of the Revenue Requirement including FEI's calculations and application of the growth factor for its formulaic O&M and Capital Expenditures, its true ups and flow through adjustments, forecast methodology, its deferral account proposals, its proposal for 2% increase in 2020 (including drawdown of revenue surplus to facilitate an increase that low), and the drawdown of the balance of the Revenue Surplus Account necessary to keep its rate increase in 2021 to only 6.59% instead of the unarguably rate shock inducing 10.87% originally calculated.[1]

During the Workshop, we listened to Ms. Roy's answer to Mr. Sharma's question about the effect of the utility's complete draw down of its 2017-2018 Revenue Surplus Account in the 2020-2021 fiscal years[2] and we remain concerned about the fact that the utility has

[1] Exhibit B-4, BCOAPO IR 1.1.1,
[2] Transcript, page 31, line 4 to page 32, line 9.

found itself in a position where it is projecting revenue deficiencies in both 2020 and 2021 as show in Figures 1-1[3] and 1-2[4] reproduced below.

**Figure 1-1: 2020 Delivery Revenue Deficiency ($ millions)**

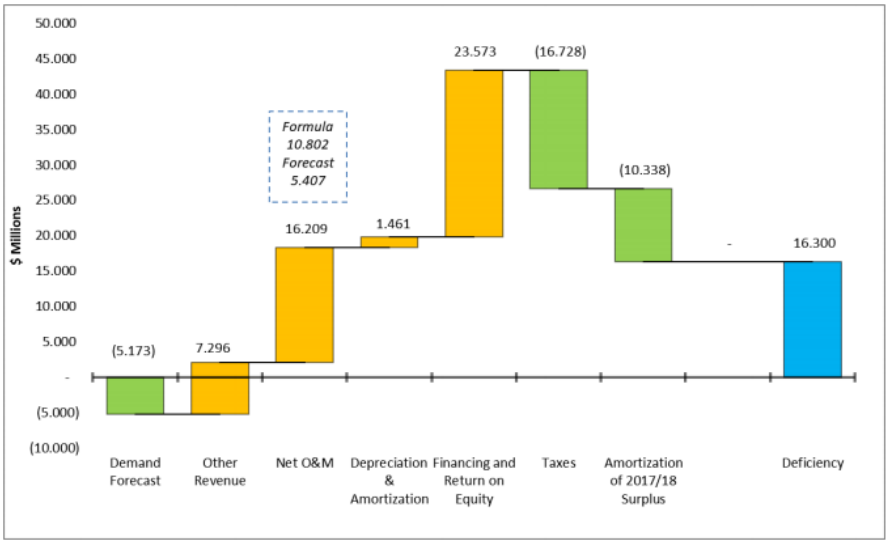
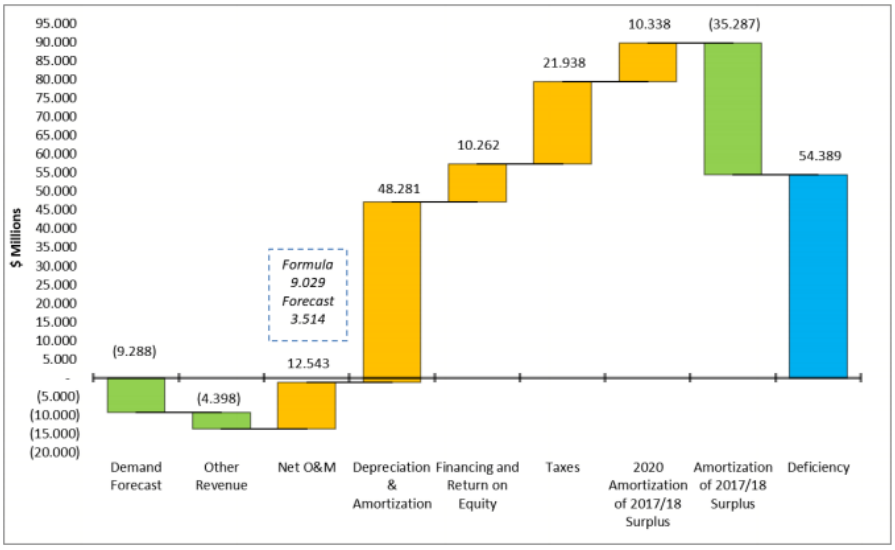



**Figure 1-2: 2021 Delivery Revenue Deficiency ($ millions)**




While we do recognize that FEI has done this in order to keep its rates low in the two years addressed in this Annual Review, it is of no small concern that an entire $35M surplus is wiped out in just the first two years of a five-year plan in order to only partially

[3] Exhibit B-2, page 5.
[4] Exhibit B-2, page 6.

offset the higher increases its ratepayers would otherwise face. While in the Workshop Ms. Roy was not willing to speculate on what might happen to the Utility's rates over the MRP term, our clients are the Utility's residential ratepayers - those who rely on stable rates to plan their financial futures – so they cannot afford to simply cross their fingers and hope FEI will find other options to keep its rates low should the sharp upward cost pressures we see in 2020 and increasing in 2021 continue.

Academically, while our clients can appreciate that, on average, in past years they were the beneficiaries of FEI's ability to mostly keep rate increases below inflation[5], that does not mean a 6.59 percent increase in their delivery rate in 2021 - a rate only achieved after applying $35.287 Million to the company's revenue deficiency - is of no consequence or concern in 2021. The fact of the matter is that our clients can't balance their finances by relying on past savings in a market where shelter costs have increased sharply in recent years and when COVID continues to have major effects on our province's employment levels and economic health. Mr. Quail was correct in his submissions on behalf of MoveUP: "No-one can predict or even really imagine what the provincial economy will look like by the time of the second FEI MRP annual review."[6] The fact of the matter is that our clients are anxious and rightly so given the rate increase on the 2021 horizon, COVID-19, and the fact that the Utility's forecasts are based on Conference Board of Canada projections that now seem rooted in another reality: one from "the before times". Although not directly applicable, it is not comforting that the CBC recently released an update to its Metropolitan housing starts, showing the only three British Columbian cities examined – Vancouver, Victoria, and Abbotsford/Mission - all in the worst quadrant: Down-Down. That position means the Conference Board of Canada is projecting negative prospects for these three cities' short- and long-term growth[7]. The data in this article is sobering. It shows a 13.94% decrease in Vancouver's projected housing starts between one year ago and those in September 2020, a 61.43% decrease in these projections

[5] Exhibit B-2, page 32, ll 17-19.
[6] MoveUP Final Submission, page 2.
[7] Jane McIntyre, "Metropolitan Housing Starts: Expectations Remain Weak in the West" Conference Board of Canada, 26 October 2020, https://www.conferenceboard.ca/focus-areas/canadian-economics/metropolitan-housing-starts/2020/10856. Accessed 3 Nov. 2020

during the same time period in Victoria, and a 48.14% decrease in projected housing starts in Abbotsford/Mission.[8]

In the face of this information and the uncertainty of our short to medium term economic prospects, BCOAPO's clients are profoundly uncomfortable with the prospect of simply hoping that, in subsequent years, the absence of an offsetting revenue surplus will not result in significant rate increases – especially those in excess of 10%. We urge the Utility to take every opportunity presented in these test years and in those to come to shave off whatever they can from their Revenue Requirement where doing so will not compromise worker safety, system reliability, or materially affect service quality.

While we appreciate that their shareholders have certain earnings expectations, we question whether those are reasonable or fair when the world has been turned upside down by a Pandemic with far reaching economic effects and no clear end date in sight.

**Unaccounted for Gas (UAF)**

The other concern that BCOAPO wishes to draw attention to is the trend we addressed during the Workshop: FEI's increasing UAF (gas that is not accounted for in gas energy balance of receipts, deliveries, and operations use), the cost of which is recovered in rates. UAF volumes increased in every single year for 2015-2019 inclusive, with 2019 volumes being more than double those of 2015[9]. Mr. Noel's response was helpful in explaining what three issues contribute to FEI's UAF – system leakage, lost gas, and measurement inaccuracies[10]. While Mr. Noel offered his opinion of the reasonableness of any UAF under 1%[11], we are looking to minimize the cost burdens born by residential ratepayers going forward so we will expect the utility to be able to report on its efforts to monitor and address this issue as well as any developing technologies or practices to minimize UAF going forward.

**Conclusion**

[8] The percentages presented were calculated using the specific figures for projected housing starts a year ago versus the ones calculated in September of 2020.
[9] Exhibit B-4, BCOAPO IR 1.6.1,
[10] Transcript, page 108, l 1 to page 109 l 10.
[11] Transcript, page 109, ll 22-26

We have, on behalf of our clients examined the evidence and we have nothing further to add aside from noting there does not appear to be any deviations from the approved plan's provisions, and the Company is performing well under the SQI's that were approved.

All of which is respectfully submitted,

**BC PUBLIC INTEREST ADVOCACY CENTRE**

*Original on file signed by*

Leigha Worth
Executive Director | General Counsel

*Original on file signed by*

Irina Mis
Staff Lawyer