

REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**

INFORMATION REQUEST ROUND NO: 1

TO: **FortisBC Inc. (FBC)**

DATE: **September 6, 2017**

PROJECT NO: **1598920**

APPLICATION NAME: **FortisBC Inc. Annual Review 2018 Rates**

1.0 Topic: Rate increase

Reference: Exhibit B-2, Application, p.1

FBC seeks Commission approval of an increase of 0.11 percent in rates in 2018. On September 28, 2016, FBC provided the following table of historical rate increases:

Year	Rate Increase
Jan 2007	1.2%
Apr 2007	2.1%
Jan 2008	2.9%
May 2008	0.8%
Jan 2009	4.6%
Sep 2009	2.2%
Jan 2010	6.0%
Sep 2010	2.9%
Jan 2011	6.6%
Jun 2011	1.4%
Jan 2012	1.5%
Jan 2013	4.2%
Jan 2014	3.3%
Jan 2015	3.5%
Aug 2015	1.6%
Jan 2016	2.96%
Jan 2017 (Proposed)	3.60%

- 1.1 Please provide an updated version of the historical table shown above, indicating the proposed January 2018 increase.

2.0 Topic: Celgar

Reference: Exhibit B-2, p.15

FBC says on page 15 of the Application that the Celgar Interim Period Billing Adjustment deferral account was fully amortized in 2017.

- 2.1 Are there any additional outstanding billing disputes between Celgar and FBC? If yes, please describe the dispute(s) and provide a rough estimate(s) of the dollar amount in dispute.

3.0 Topic: Cyber security
Reference: Exhibit B-2

FBC says the cyber security landscape is changing rapidly and putting upward pressure on costs. O&M and capital spending on cyber security is expected to increase in 2018. “There are annual cyber security audits and assessments on the overall system architecture, user awareness, as well as project specific vulnerability testing.” [pp.4-5]

- 3.1 What cyber security metrics does FBC use to evaluate security performance over time?
- 3.2 Without questioning the obvious importance of cyber security, how is the Company able to monitor and evaluate the cost-effectiveness of its O&M and capital expenditures on cyber security?

4.0 Topic: SAP Integration
Reference: Exhibit B-2, pp.5-6

- 4.1 Please discuss how the SAP Integration initiative with FortisBC Energy Inc. (FEI) deals with Code of Conduct/Transfer Pricing Policy matters between the two regulated utilities.

5.0 Topic: Advanced Distribution Management System
Reference: Exhibit B-2, p.6

- 5.1 Please clarify the terms “Advanced Distribution Management System” and “Outage Management System.” Are they the same thing?
- 5.2 Does FBC expect that the new Outage Management System will result in shorter duration of outages? If so, is this expected to be visible in future SAIDI results?

6.0 Topic: Radio-Off Shortfall Deferral Account
Reference: Exhibit B-2, p.121; Appendix E, September 30, 2016 Radio-Off AMI Meter Option Participation and Costs Report

The September 30, 2016 Radio-Off Participation and Costs report concluded that over the June to August 2016 time period the costs of the Radio-Off Option averaged \$18.26 per read, and that FBC considers the June to August 2016 time period to be stable and representative. FBC proposed no change to the Radio-Off manual meter read fee of \$18.00 per read under RS 81 at that time.

FBC states on p.121: “Since the completion of the Radio-Off Report, however, the shortfall has grown to an estimated \$0.120 million on an annual basis. FBC therefore intends to address RS 81 and to propose the disposition of the deferral account in its upcoming Rate Design Application.”

- 6.1 When will FBC’s upcoming Rate Design Application be filed?

7.0 Topic: DSM savings

Reference: Exhibit B-2, Table 3-1, Forecast 2018 DSM and Other Savings; 2017 Rates Proceeding, Exhibit B-2, Table 3-1, Forecast 2017 DSM and Other Savings

The Forecast of 2017 DSM and Other Savings is:

Table 3-1: Forecast 2017 DSM and Other Savings (GWh)

Line No.	Description	DSM	AMI	CIP	RCR	Rate-Driven	Total
1	Residential	(10)	12	(2)	(10)	(1)	(11)
2	Commercial	(15)				(1)	(16)
3	Wholesale	(2)				(1)	(3)
4	Industrial	(4)					(4)
5	Lighting	(1)					(1)
6	Irrigation						
7	Net	(32)	12	(2)	(10)	(3)	(35)
8	Losses	(3)	(6)				(9)
9	Gross Load	(34)	6	(2)	(10)	(3)	(43)

- 7.1 Please provide 2017 year to date and projected DSM and Other Savings in relation to the Forecast 2017 figures.

8.0 Topic: Residential UPC

Reference: Exhibit B-2, Figure 3-2, Normalized After-Savings Residential UPC

In the proceeding regarding FBC's 2017 Rates, FBC explained that the Normalized After-Savings Residential UPC is affected by FBC's acquisition of the City of Kelowna distribution utility as follows:

"The acquisition of the City of Kelowna decreased the 2013 residential UPC. The City of Kelowna is more urban in nature than the rest of the FBC service area, with a higher share of apartments and other multiple family dwellings which typically have smaller square footage, more energy efficient appliances and lower annual energy consumption³. The City of Kelowna also has more access to gas as an alternative energy source than other parts of the FBC service area. All of these factors would be expected to lower the overall UPC."

- 8.1 Please provide any material updates to the explanation above regarding the effect of FBC's acquisition of the City of Kelowna accounts on Normalized After-Savings Residential UPC.
- 8.2 Is there a statistically significant trend (downward) in Normalized After-Savings Residential UPC from 2014 onward? If so, what factors would account for it?

9.0 Topic: Lighting Load

Reference: Exhibit B-2, Figure 3-7, After-Savings Lighting Load

FBC says there is a statistically significant trend (upward) in After-Savings Lighting Load for the most recent five-year period, which is used to forecast load in this class.

In 2015, FBC applied for approval of modification of RS 50 to accommodate the billing of LED street lights. The application was approved by Order G179-15.

- 9.1 What is the current status of the penetration of LED technology in the Lighting Load rate class? Does FBC have a DSM program that encourages the use of LED street lighting? If so, will this have an effect on the Lighting Load forecast?

10.0 Topic: AMI Savings

Reference: Exhibit B-2, s.3.5.7.1, AMI Impact on Losses

FBC provides estimates of the impact of AMI on losses through theft deterrence as directed by Order G-107-15.

- 10.1 Please explain how AMI on losses through theft deterrence are estimated and discuss if there has been any change since the AMI decision.

11.0 Topic: Peak Demand Forecast

Reference: Exhibit B-2, s.1.3; s.3.5.8

The method of forecasting peak demand is explained in section 1.3 and section 3.5.8. It is understood that the forecasting procedure accounts for increases (or decreases) in energy load over the historical period as well as the contribution of self-generating customers to peak. "Normalized after-savings winter and summer peaks for 2007-2016" are referred to on p.33.

- 11.1 Please explain in more detail the methodology for forecasting the peak demand in the test year.
- 11.2 Are the numbers in Figure 3-10 normalized for weather or for energy load?

"The after DSM peak forecast was calculated by subtracting DSM capacity savings forecast from the before DSM peak forecast for each month in each year." [pdf p.173]

- 11.3 How are the DSM capacity savings estimated? If they are based on DSM energy savings please provide the estimated ratio.

12.0 Topic: Capital Spending

Reference: Exhibit B-2, pp.6-13

"FBC has evaluated its alternatives and believes that it is in the best long-term interest of customers to pursue the capital spending program it has planned that will result in the dead band being exceeded, not only in 2017, but in the remaining years of the PBR term. It is clear that the capital spending is required and it is the right thing to do to limit increasing risk exposure in the system, and avoid unplanned and urgent capital work that reduces productivity and drives up project costs by reducing FBC's ability to plan and execute the work." [p.13]

- 12.1 Please comment on how FBC's experience with capital spending during the course of the PBR period including the proposed treatment of capital

spending outside the two-year deadband in 2017 reflects on the treatment of capital spending within the PBR framework.

- 12.2 Can it be said that the proposed treatment of PBR capital spending outside the two-year deadband is equivalent to PBR capital spending not being included in the PBR framework, (a) for 2017 and (b) for the rest of the PBR period?
- 12.3 Please confirm, or otherwise explain, that the effect of the PBR-eligible capital spending being within the PBR framework from the beginning of the PBR period up to and including 2016 has been to induce FBC to attempt to reduce such capital spending both by finding efficiencies and by postponement.
 - 12.3.1 Please provide, if FBC is able, a quantitative or qualitative estimate of the amount by which the inclusion of capital spending in the PBR framework has reduced capital spending from what it would have been in the absence of the PBR framework?
 - 12.3.2 Please provide, if FBC is able, a quantitative or qualitative estimate of the proportion of any PBR-induced reduction in capital spending that is attributable to (a) efficiencies and (b) postponement.