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May 2, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: British Columbia Hydro and Power Authority (BC Hydro) F2020-F2021 Revenue Requirements Application (the Application)

Project No. 1598990

FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC or the Companies) Information Request (IR) No. 1 to BC Hydro

In accordance with the Regulatory Timetable set by the British Columbia Utilities Commission Order G-45-19, attached is FortisBC IR No. 1 to BC Hydro on the above noted Application.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Doug Slater

Attachments

cc (email only): Commission Secretary
Registered Parties

REQUESTOR NAME: **FortisBC Energy Inc. and FortisBC Inc.**

INFORMATION REQUEST ROUND NO: 1

TO: BRITISH COLUMBIA HYDRO & POWER AUTHORITY

DATE: **May 2, 2019**

PROJECT NO: **1598990**

APPLICATION NAME: **BC Hydro F2020-F2021 Revenue Requirements Application**

1.0 Topic: BC Hydro's Allowed Net Income

Reference: Exhibit B-1, page 1-8 - Executive Summary and Appendix C, page 17 - Phase 1 Final Report on BC Hydro Comprehensive Review

The Application (Executive Summary and Chapter 8) and the Phase 1 report (Appendix C) make several references to the BCUC being enabled to set BC Hydro's allowed net income for rate-setting purposes for F2022 and beyond, as noted in the following two examples:

Executive Summary, page 1-8, section 1.4.1

“Enabled the BCUC to begin setting BC Hydro's allowed net income for rate-setting purposes, following a two-year transition period for fiscal 2020 and fiscal 2021, during which BC Hydro's current net income target of \$712 million will remain in place;“

Appendix C, Page 17

“As an outcome of Phase 1 of the Review, the government will re-empower the BCUC to set BC Hydro's allowed net income, following a two-year transition period for Fiscal 2020 and Fiscal 2021 where BC Hydro's allowed net income of \$712 million will remain in place. This transition period will allow time for the BCUC to review BC Hydro's next Revenue Requirements Application and to undertake a separate process to determine an appropriate rate of return prior to resuming the regulation of BC Hydro's allowed net income in Fiscal 2022. Government may provide policy guidance to the BCUC and/or participate in regulatory proceedings to inform this process.”

1.1 Has the BCUC already been empowered to go about setting BC Hydro's allowed net income for rate-setting purposes for F2022 and beyond, or is other action, beyond the fact that Direction No. 8, section 3 specifies net income only for F2021 and F2022, required on the part of the Government of BC or BC Hydro to commence the separate process mentioned in the second quote above?

1.1.1 If other action is required on the part of the Government of BC, please explain BC Hydro's understanding of what the action will be, such as issuing a direction, establishing terms of reference or some other type of formal request to the BCUC to undertake the process.

- 1.1.2 If the required action is for BC Hydro to file an application with the BCUC, please describe the general nature and scope of the application.
- 1.1.3 Regardless of the action or actions required to initiate the process, please describe the expected consultation and regulatory processes and timelines that BC Hydro anticipates will occur to establish an appropriate rate of return for BC Hydro prior (as noted in the second quote above) to Fiscal 2022.

2.0 Topic: Operating Costs

Reference: Exhibit B-1, Section 5.7.2, pp. 5-54-5-56, Figures 5-12, 5-13

Canadian Electric Utility Comparison

On page 5-54 of the Application, BC Hydro states:

BC Hydro conducted a limited review of recent years of published annual reports and rate applications, where applicable, of:

- Manitoba Hydro;
- Hydro Quebec; and,
- FortisBC Inc.

The process involved reviewing and assessing each entity's operating costs, number of customers, and sales volume and making assumptions in order to align these items to ensure some degree of consistency. The operating cost basis for each of the entities compared may be subjective as the detailed breakdown was not provided in the published reports. We have used our best efforts to provide a comparable basis for each item included in the calculation of the metrics shown in Figure 5-12 and Figure 5-13 below.

- 2.1 Please provide a working spreadsheet of Figures 5-12 and 5-13 with all the assumptions or adjustments made for each entity identified separately.
- 2.2 Please reference the exact source of data (with page numbers included) used for each utility included in the benchmarking study.

3.0 Topic: Regulatory Treatment of Demand-Side Management Expenditures

Reference: BC Hydro Responses to Exhibit A-4, BCUC IRs 1.150.1 to 1.150.3.3

Accounting Treatment of DSM Expenditures, including Amortization Period

BCUC IRs 1.150.1 and 1.150.3 to 1.150.3.3 first ask BC Hydro to confirm that all of its DSM expenditures are deferred to the DSM Regulatory Account and then to identify other Canadian utilities defer and amortize all of their DSM expenditures, as well as their amortization period.

- 3.1 For any of the non-British Columbia-based utilities considered in BC Hydro's responses to Exhibit A-4, BCUC IRs 1.150.1 to 1.150.3.3, please comment on the similarity and differences relative to BC of the regulatory, legislative and policy context pertaining to DSM activities in the respective jurisdictions. For example, do the other jurisdictions have similar legislative provisions such as those in British Columbia's *Clean Energy Act*, *Utilities Commission Act* and *Demand-Side Measures Regulation* requiring utilities to pursue cost-effective DSM and requiring a fair and reasonable return on expenditures made by public utilities to reduce energy demands?

4.0 Topic: Regulatory Accounts

Reference: Exhibit B-1, Table 7-2 and BC Hydro F2017 to F2019 Revenue Requirement Application (RRA), FortisBC IR 1.2.1

In both BC Hydro's previous RRA (F2017- F2019) and current F2020-F2021 RRA, Table 7-2 has provided a summary of BC Hydro's regulatory accounts, as well as actual and forecast balances to F2024 for each of the accounts.

In the F2017 - F2019 RRA proceeding in the response to FortisBC IR 1.2.1, BC Hydro provided the following expanded version of Table 7-2 which added extra columns to explain the recovery mechanisms applicable to each of the accounts and the relevant line item in the Schedule 1.0 of the RRA financial model.

Million	Recovery Mechanism	Sch. 1.0 Reference	F2012 Actual	F2013 Actual	F2014 Actual	F2015 Actual	F2016 Actual	F2017 Plan	F2018 Plan	F2019 Plan	F2020 Forecast	F2021 Forecast	F2022 Forecast	F2023 Forecast	F2024 Forecast	
Cost of Energy Variance Accounts																
1	Heritage Deferral Account	DARR	Line 11	244	70	105	165	(24)	(20)	(16)	(11)	(7)	(4)	(2)	(1)	(1)
2	Non-Heritage Deferral Account	DARR	Line 11	367	468	362	524	917	771	613	440	253	136	75	55	33
3	Trade Income Deferral Account	DARR	Line 11	175	190	325	245	250	210	167	120	69	37	21	15	9
Total				786	728	791	933	1,143	961	764	549	316	170	94	69	42
Other Cash Variance Accounts																
4	Storm Restoration Costs	General	Line 15	1	(3)	(3)	8	30	20	10	0	-	-	-	-	-
5	Amortization of Capital	General	Line 15	(2)	(6)	(4)	(4)	(10)	(6)	(3)	0	-	-	-	-	-
6	Total Finance Charges	General	Line 15	6	1	(79)	(173)	(306)	(204)	(102)	0	-	-	-	-	-
7	Rock Bay Remediation	General	Line 15	4	29	49	20	(27)	(18)	(9)	0	-	-	-	-	-
8	Arrow Water Systems	General	Line 15	8	8	9	4	0	0	0	0	-	-	-	-	-
9	Asbestos Remediation	General	Line 15	-	8	17	10	5	3	2	0	-	-	-	-	-
10	Home Option Purchase Plan	General	Line 15	20	21	22	11	0	0	0	0	-	-	-	-	-
11	Real Property sales	self-clearing	N/A	-	-	-	8	18	25	16	2	-	-	-	-	-
12	Minimum Reconnection	General	Line 15	N/A	N/A	N/A	N/A	1	(0)	(0)	(0)	-	-	-	-	-
13	Mining Customer Payment Plan	TBD	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
Total				36	59	13	(115)	(290)	(180)	(87)	2	-	-	-	-	-
Non-Cash Variance Accounts																
14	Foreign Exchange Gains/Losses	General	Line 15	(103)	(100)	(89)	(71)	(69)	(63)	(32)	3	1	2	3	3	3
15	Non-Current Pension Costs	General	Line 15	55	544	280	564	691	306	274	243	211	179	147	114	82
16	Debt Management	General	Line 15	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-	-	-
Total				(49)	444	191	493	622	242	242	246	212	181	150	117	85
Benefit Matching Accounts																
17	Demand-Side Management	General	Line 15	638	732	788	841	907	932	996	991	968	942	915	886	854
18	First Nations Costs	General	Line 15	153	168	173	151	133	131	120	101	82	62	43	24	5
19	Site C	TBD	N/A	181	258	338	419	436	453	472	491	511	531	551	572	593
20	Future Removal & Site Pre-1996 Contributions in Aid of Construction Smart Metering &	General	Line 15	(120)	(87)	(55)	(33)	(9)	-	-	-	-	-	-	-	-
21	Infrastructure Program	General	Line 15	67	75	81	87	92	91	88	83	78	73	68	63	58
22	Capital Project Investigation	General	Line 15	92	192	276	283	283	261	239	217	196	174	152	130	109
23		General	Line 15	44	40	35	30	25	20	15	10	6	1	(0)	-	-
Total				1,055	1,377	1,636	1,779	1,867	1,889	1,930	1,894	1,840	1,783	1,730	1,674	1,618
Non-Cash Provisions																
24	First Nations Provisions	Transfer	N/A	391	386	416	413	409	399	396	401	406	411	415	420	425
25	Arrow Water Systems Provision	Transfer	N/A	4	3	4	4	5	3	3	3	2	2	2	2	2
26	Environmental Provisions	Transfer	N/A	230	331	317	352	381	338	302	267	231	203	186	169	155
Total				625	720	737	770	794	740	700	670	639	615	604	591	582
Rate Smoothing Accounts																
27	Waneta (closed)	closed	closed	40	25	15	-	-	-	-	-	-	-	-	-	-
28	F2010 ROE Adjustment (closed)	closed	closed	34	23	11	-	-	-	-	-	-	-	-	-	-
29	F12-F14 Rate Smoothing (closed)	closed	closed	(70)	(111)	-	-	-	-	-	-	-	-	-	-	-
30	Rate Smoothing	General	Line 15	-	-	-	166	287	497	783	1,083	1,491	1,589	1,286	733	-
Total				4	(63)	26	166	287	497	783	1,083	1,491	1,589	1,286	733	-
IFRS Transition Accounts																
31	IFRS Pension	General	Line 15	-	723	688	650	612	574	535	497	459	421	382	344	306
32	IFRS PP&E	General	Line 15	222	447	617	758	873	962	1,025	1,064	1,079	1,071	1,039	1,007	976
Total				222	1,170	1,306	1,409	1,485	1,535	1,561	1,562	1,538	1,491	1,421	1,352	1,282
33 Total Regulatory Account Balance				2,679	4,434	4,699	5,434	5,908	5,685	5,894	6,006	6,035	5,830	5,284	4,536	3,609
34 Annual change % of Reg. Acct. Balance					66%	6%	16%	9%	(4%)	4%	2%	0%	(3%)	(9%)	(14%)	(20%)
35 Total Interest on Regulatory Accounts				48	55	57	67	73	76	68	60	49	40	33	30	28

- 4.1 Please update the above expanded table with F2017 and F2018 Actual, and F2019 to F2024 Forecast. Please also update the recovery mechanisms and description of each mechanism as well as update the reference to Schedule 1.0 of the Revenue Requirement Excel model (Appendix A) that each regulatory account is recovered through.
- 4.2 Please add an additional column to the expanded version of Table 7-2 to identify the specific amortization period of each regulatory account.