

Industrial Customers Group (ICGö)  
Information Request No. 1

**FortisBC Energy Inc. and FortisBC Inc. ("FBC")**  
**Multi-Year Rate Plan Application for 2020–2024 – Project No. 1598996**

---

- 1.0 Reference: Exhibit B-1, p. A-5;**  
**Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, Exhibit B-15, ICG IR 1.6; and,**  
**Exhibit B-1, p. B-26**

**“The starting point for determining the O&M per customer is the 2019 Base O&M, which is the adjusted actual O&M expenditures for 2018 expressed over the average number of customers in 2018, escalated by the approved formula inflation factors for 2019.”**

**“PBR only requires a starting point for prices or revenues (depending on the form of the cap). In some circumstances this starting point may not reflect current costs because of the elapsed time between the cost of service application and the current base year. In that case a revenue requirements application would be an important element of filing a plan. Where the last cost of service review is fairly recent and still produces just and reasonable rates (with or without discrete adjustments such as added rate base) there would be no reason to require a complete cost of service proceeding and it would be inefficient to do so.”**

**“The BCUC Panel approved a Base O&M Expense based on 2013 Approved O&M, subject to certain adjustments that resulted in minor overall changes to the proposed base values.”**

- 1.1 Please confirm that FortisBC continues to support the B&V opinion expressed in the above quote of B&V?
- 1.2 Please comment on whether the materials filed in this proceeding are sufficient for the Commission to approve rates based on cost of service regulation, assuming the Commission decides to not approve the Proposed MRP?
- 1.3 Please explain why a revenue requirements application was not considered to be an important element of filing the Proposed MRP?
- 1.4 Please comment on whether there is sufficient evidence on the record of this proceeding for the Commission to establish either cost of service rates for a one year test period or extend the 2014-2019 PBR Plan for a one year test period?
- 1.5 Please comment on whether FortisBC would support an application to incorporate the record of the 2014-2018 PBR Plan proceeding into the record of this proceeding.

- 2.0 Reference: Exhibit B-1, p. B-24 and Exhibit B-1, p. B-30**

**“The Companies’ evaluation indicates that despite some challenges related to capital formulas, both FEI’s and FBC’s plans have resulted in considerable O&M expenditure savings as well as average rate increases at or below the level of inflation for the duration of the plans.”**

**“Lastly, the success of the Current PBR Plans are highlighted by the level of rate increase over the term of the plans.”**

- 2.1 Please file in table format the actual O&M expenditures, the average number of customers, and the comparable ðBase O&Mö for each year during the term of the Current PBR Plan?
- 2.2 Please comment on whether FortisBC expects its rates to exceed BC Hydro rates during the 2020-2024 period?
- 2.3 Please resubmit FortisBC’s response to ICG IR 3.2, contained in Exhibit B-8 in the proceeding for the FortisBC Inc. Application for a Certificate of Public Convenience and Necessity for the Purchase of the Utility Assets of the City of Kelowna as a working spreadsheet, and updated for FortisBC’s proposed rates for the period for 2020-2024, and correcting for any errors in the original submission. Please also omit the comparable City of Kelowna rates.
- 2.4 Please compare BC Hydro rates increases with FortisBC rate increases during the term of the Current PBR Plan.
- 2.5 Please update and file the table provided in response to ICG IR 1.13.1 Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, Exhibit B-15.

**3.0 Reference: Exhibit B-1, p. B-30**

**“FBC’s rate increases have been close to inflation on an annual average basis.”**

- 3.1 Please comment on the merits of a plan that indexed rates to inflation for five years, with no deferral accounts.

**4.0 Reference: Exhibit B-1, Section 2.3.1.2, p. B-32, Table B2-3**

- 4.1 Please update O&M tables provided in response to ICG IR 33.1, ICG IR 34.1, ICG IR 35.1, ICG IR 36.1 (p. 63), Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, Exhibit B-15.

**5.0 Reference: Exhibit B-1, p. C-87, Upper Bonnington Dam (UBO) Unit 6 Turbine Runner Replacement Project**

**“This project includes the replacement of the UBO Unit 6 turbine runner that has reached the end of its service life. The Unit 6 turbine runner is original and will be approximately 88 years old at**

**its proposed date for replacement in 2023.”**

- 5.1 Has a condition assessment of the turbine runner been performed? If so, please provide the condition assessment report.
- 5.2 Please provide a description of the efficiency gains that can be realized with a new turbine runner given that the Upper Bonnington Old Units Refurbishment project should be completed prior to this project.
- 5.3 Please provide the actual running time of Unit 6 for each of the last five years, and the projected running time after the completion of the Upper Bonnington Old Units Refurbishment project.

**6.0 Reference: Exhibit B-1, p. C-92, Salmo Station Upgrade**

**“With the retirement of Ymir station, the capacity at Salmo will need to be increased to support the additional load, and a second transformer installed to support contingency planning criteria.”**

- 6.1 Please describe the contingency planning criteria in the reference, and how these criteria apply to the Salmo Station currently and also after the proposed project.

**7.0 Reference: Exhibit B-1, p. C-110**

**“FBC is proposing a Power Supply Incentive (PSI) which results in the sharing of power supply cost savings in order to provide an incentive [for] FBC to reduce its Power Purchase Expense, as described in Section C8.3.7 and Appendix C7.”**

- 7.1 Please file ICG IR 1.19.1, lines 9-20, Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, Exhibit B-15, and comment on the evolution of the incentive sharing mechanism for PPE from 2003 to the current proposed incentive sharing mechanism?
- 7.2 Please file BCUC IR 1.84.1 and BCUC IR 1.84.2, Exhibit B-15 and BCUC 2.5.1, Exhibit B-24, Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, and confirm that FortisBC continues to agree with the Commission conclusion quoted in the response of BCUC IR 1.84.1 and confirm that FortisBC continues to agree with the response to BCUC IR 1.84.2?
- 7.3 Please update and file the table provided in response to ICG IR 1.19.1, Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding, Exhibit B-15.
- 7.4 Please file ICG IR 2.10.1, Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018 proceeding,

Exhibit B-22.

- 7.5 Please confirm the comment ðthe Company has, in some instances been able to take advantage of depressed energy markets and reduce its expected power purchase costsö (from above IR response) also applies to the current energy markets, and explain the need for a financial incentive to reduce power purchase costs?
- 7.6 Please confirm that the proposed sharing mechanism has no downside risk to FortisBC, and confirm that the sharing mechanism for the periods from 2003-2005 and 2007-2011 did include downside risk to FortisBC?

**8.0 Reference: Exhibit B-1, p. C-113**

**“Rather than continuing to apply for exogenous factor treatment for these costs [MRS] which FBC is clearly required to undertake, FortisBC proposes that these costs be treated as a forecast item outside of indexed O&M and outside of Regular capital.”**

- 8.1 Will FBC assume the risk of variances from the forecast of these costs?

**9.0 Reference: Exhibit B-1, p. C-118, Table C4-1: Treatment of Variances in Revenue Requirement Items from Forecast**

- 9.1 Please provide in tabular format with a working spreadsheet an analysis that identifies all the expenses and revenues that are booked in deferral accounts and those that are not booked in a deferral accounts, assuming the deferral accounts in this Application are approved and making any other assumption necessary to complete the table, including the test year? Please include a column that provides a percentage of total expenses and revenues that are subject to a deferral account, and a column that identifies the total expenses and revenues where FBC assumes the risk of variances from forecast?

**10.0 Reference: Exhibit B-1, p. C-146**

**“In summary, the responsibility for advancing clean growth innovation to meet BC’s climate objectives is shared between utilities, regulators and policy makers.”**

- 10.1 Please confirm that the amount collected from ratepayers and held in the fund will be accumulated for future use?
- 10.2 Please confirm that the ðBasic Charge Rider per Monthö as identified in Table C6-3 have been calculated based on the proposed level of funds to be accumulated in the Fund?
- 10.3 Please comment on whether the Clean Growth Innovation Fund is consistent with cost of service principles? If so, please provide full details of the costs to be recovered in the Fund?

10.4 Please explain the list of utilities, regulators and policy makers and the responsibility for advancing clean grow innovation is shared as suggested by the above comment?

**11.0 Reference: Exhibit B-1, p. C-158**

**“The financial incentive for successful achievement of a target is an amount equivalent to additional basis points added to the Companies’ allowed ROE.”**

11.1 Please update Table Celgar IR 1.2 filed in the 2012-2013 Revenue Requirement and Review of 2012 ISP, Exhibit B-5?

**12.0 Reference: Order G-110-12, Decision, p. 119**

**“FortisBC is seeking approval to defer what it expects to be costs in the amount of ... for its 2014 Revenue Requirements Application in 2013 ... The Commission Panel is of the view that these regulatory expenses are operating costs and should be capable of being absorbed into rates without deferral.”**

12.1 Please confirm that FortisBC continues to record regulatory expenses in deferral accounts and does not view these expenses as operating costs.

**13.0 Reference: Exhibit B-1-1, Appendix B3, p. 3**

**“FBC does not have metering in place to accurately delineate losses between transmission and distribution, and continues to estimate. To accurately delineate between transmission and distribution losses, FBC would need to install additional metering along the system, improve existing metering equipment in stations, enhance related IT systems, and assign resources.”**

13.1 Please identify the metering that would need to be installed, and the locations, to accurately delineate between transmission and distribution losses. Please also provide a cost estimate for the additional metering.

**14.0 Reference: Exhibit B-1-1, Appendix B8-3, “FBC Capital Directives”, p. 9, Table A: B8-3-2**

14.1 Please provide further details regarding the island procurement challenges for the Okanagan Long Term Solution, including regulatory approvals, breakdown of expected costs, project schedule, and completion risks arising from island procurement challenges.

**15.0 Reference: Exhibit B-1-1, Appendix B8-3, “FBC Capital Directives, p. 10, Section 3.4**

15.1 Please provide the criteria used to prioritize capital projects, and describe any consultation regarding the criteria?

**16.0 Reference: Exhibit B-1-1, Appendix C2, Concentric Benchmarking Study, FBC, p. 6**

**“These metrics were chosen in consultation between the Company and stakeholders. In Concentric’s opinion, this set of metrics provides for a reasonably comprehensive overview of FBC’s relative performance on both a financial and non-financial basis.”**

- 16.1 Please provide Concentric’s opinion regarding the appropriate selection criteria for each metric included in the study.
- 16.2 Please comment on any criteria, adopted by Concentric, relevant to the number of metrics used in a study?
- 16.3 Please confirm that FBC customers are concerned about rate comparisons to other utilities, including BC Hydro?
- 16.4 Please confirm that FBC directed Concentric not to use rate comparisons as one of the metrics used in the study?
- 16.5 Please confirm that rate comparisons are not difficult to glean from public sources?
- 16.6 Please comment on whether Concentric could amend the study so as to include rate comparisons as one of the metrics used in the study?
- 16.7 Please comment on whether rate comparisons can be an indication of a causal relationship between operating circumstances and costs, and between inputs and outputs?
- 16.8 Please confirm that rate comparisons can be an indication of the company’s performance against an industry group?

**17.0 Reference: Exhibit B-1-1, Appendix C2, Concentric Benchmarking Study, FBC, p. 10**

**“As shown in the figure above, the companies in the peer group have different mixes of functions within their operational profiles. This can lead to skewed results if certain companies have a greater proportion of their operations in traditionally higher cost functions or functions that are more subject to cost variation (e.g. electric generation).”**

- 17.1 Please comment on whether the cause (e.g. electric generation) of the “skewed results” can increase rates?
- 17.2 Please provide the cost/capital invested in electric generation as compared to the cost/capital invested in distribution and transmission for each of the utilities in the peer group?
- 17.3 Please comment on whether the focus of the study on the distribution-only segment of the peer group companies limits the study conclusions? If so, how?