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December 6, 2019

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary
and Manager, Regulatory Support**

Dear Sirs/Mesdames:

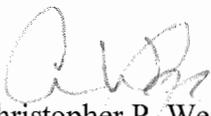
Re: FortisBC Energy Inc. and FortisBC Inc. (collectively "FortisBC") Multi-Year Rate Plan Application for 2020 to 2024 - Project No. 1598996

We are counsel to the Commercial Energy Consumers Association of British Columbia (the "CEC"). Attached please find the CEC's Information Requests on Rebuttal Evidence with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION


Christopher P. Weafer

CPW/jj
cc: CEC
cc: FortisBC
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA**

INFORMATION REQUEST ON REBUTTAL EVIDENCE

**FortisBC Energy Inc. (“FEI”) and FortisBC Inc. (“FBC”), (and collectively
“FortisBC” or the “Utilities”) Multi-Year Rate Plan Application for 2020 to 2024
Project No. 1598996**

December 6, 2019

1. Reference: Exhibit B-23, page 1

Q1: What is the purpose of this Rebuttal Evidence?

A1: The purpose of this Rebuttal Evidence is to respond to the Evidence of Mr. Russ Bell submitted on behalf of the BC Old Age Pensioners’ Organization et al (“BCOAPO”)¹.

The capitalized terms in this Rebuttal Evidence are as defined in the Application. For instance, “FEI” refers to FortisBC Energy Inc. (gas), “FBC” refers to FortisBC Inc. (electric) and the terms “FortisBC”, “Utilities” and “Companies” refer to both FEI and FBC together. The “Current PBR Plans” refers to the 2014-2019 PBR Plans currently approved for FEI and FBC, while the “Proposed MRPs” refers to the proposed multi-year ratemaking plan in the Application.

1.1 Please confirm that the rebuttal evidence was provided by FortisBC, and is not provided by an independent consultant/expert.

2. Reference: Exhibit B-23, page 3

One of the advantages of the building block approach is that the O&M and capital expenditures are determined in separate formulas. This allows for a more granular analysis of a company’s costs than what is possible under price cap or revenue per customer cap models. The more detailed analysis of a company’s cost performance can then be relied upon for considering targeted improvements to the design of future rate plans.

Section B2.3 of FortisBC’s Application provides a quantitative evaluation of the Current PBR Plans. This includes analysis of O&M savings, capital expenditure variances (divided into Growth capital and Sustainment and Other capital in the case of FEI), both quantitative and qualitative evaluation of regulatory efficiency, and trends in rates over the 2014-2019 PBR term. Further, FortisBC’s evaluation considers qualitative factors such as service quality measures and the plans’ performance with respect to promoting innovation.

- 2.1 Please confirm or otherwise explain that ‘granular’ analysis referenced by FortisBC is largely limited to major blocks of spending variances, and generally does not provide for the opportunity to assess individual projects for cost-effectiveness and long-term ratepayer benefit vs. cost analysis.
- a) If not confirmed, please provide examples of such analysis and cite the location where this can be found in the evidence.

3. Reference: Exhibit B-23, page 9

As explained in response to BCUC IR 2.165.1.1, the use of a coefficient to the growth factor is not warranted. The expected industry productivity-improvement factor already reflects the impact of the economies of scale on cost trends for an average firm in the industry. As such, applying any coefficient other than one to the growth factor will double count the impact of these factors on the Companies’ costs and is, in effect, an extra X-Factor. Further, as explained in response to BCUC IR 1.17.6, with the exception of the Regie in Quebec, other regulators do not apply a multiplier to utilities’ growth factor.

- 3.1 Please explain whether or not the expected industry productivity-improvement factor was also already reflected in the 2014-2019 PBR, resulting in the inclusion of an extra X-factor.
- 3.2 Can inclusion of an X-factor typically be considered as an extra X-factor in most PBR plans that have X-factor in the formula? Please explain.
- a) If no, please explain why including an X factor in FortisBC’s plan would differ from those where there is an X-factor is included but would not be considered as an ‘extra X-factor’.

4. Reference: Exhibit B-23, page 12

Customer Expectations - This funding is not only for connecting new customers but is also for customer retention. This helps to mitigate rate pressure, contributes to keeping natural gas affordable and maximizes the use of FEI's energy delivery system for the benefit of customers.

Engagement - This funding is for raising awareness of consumers in a lower carbon future, the Climate Action Partners program and other supporting resources. This funding is key to developing new demand and essential for demonstrating that FEI is meeting customer expectations in bringing forward energy solutions that are innovative, cost effective and that have lower emissions. The funding supports FEI's ability to attract and retain customers, which is important to help maintain/increase load and mitigate rate pressure, and is a clear benefit to customers.

Indigenous Relations - This funding is required to support renewing and strengthening Indigenous relationships, particularly with respect to access to land. Indigenous relationships are critical to successfully advancing the Companies' infrastructure projects.

System Operations, Integrity and Security – The funding is required to meet customer expectations by improving processes concerning the efficient and effective completion of work and represents the evolving needs of FEI. The incremental funding does not represent a claw back of efficiencies achieved which are incorporated in the 2018 actual O&M and instead are to address issues and challenges expected over the term of the Proposed MRP. While cyber security may be the smallest cost of the total incremental funding, the funding requested for cyber security is a continuation of the increases in expenditures for this area. In recent years, FEI has increased expenditures for cyber security as it responds to evolving cyber risks. Table C2-13 of the Application provides FEI's historical O&M spending going back to 2018.

- 4.1 Please confirm that meeting customer expectations and managing customer retention is, and has been, an ongoing requirement for FEI.
 - a) If not, please explain why FEI did not conduct these activities in the previous PBR.
- 4.2 Please confirm that attracting new customers, developing new demand, and demonstrating that FEI is meeting customer expectation in bringing forward energy solutions is, and has been, an ongoing requirement for FEI.
 - a) If not, please explain why FEI did not conduct these activities in the previous PBR.

4.3 Please confirm that renewing and strengthening indigenous relationships is, and has been, an ongoing requirement for FEI.

a) If not, please explain why FEI did not conduct these activities in the previous PBR.

4.4 Please confirm that improving processes concerning the efficient and effective completion of work is, and has been, an ongoing requirement for FEI.

a) If not, please explain why FEI did not conduct these activities in the previous PBR.

5. Reference: Exhibit B-23, page 23

Q17: Mr. Bell states that he points out the apparent “step change in the level of capital funding for FEI and FBC” as it appears that the change to a forecast for much capital benefits the shareholder through increased revenues. What is FortisBC’s response?

A17: Changes in the levels of expenditures were discussed in the responses to Questions 14 and 15 above. On an inflation-adjusted basis, the increase in FEI’s expenditures over the Proposed MRP term is not of a magnitude that should be characterized as a “step change”. The review of FBC’s capital expenditures also shows a relatively modest increase in the level of expenditures for ongoing capital programs.

Mr. Bell’s statement appears to suggest that a desire to maximize the return on capital invested influences FortisBC’s capital spending forecasts. This suggestion completely disregards the driving factors behind the capital expenditures, which include the capability to serve customer load, safety, reliability, and legislative requirements. The

capital forecasts put forward by FEI and FBC are based on known and demonstrable requirements, and have been vetted in this proceeding.

5.1 Please provide quantification for FortisBC’s view of what constitutes a ‘step change’.

6. Reference: Exhibit B-23, page 24

Q19: On page 12 of his evidence, Mr. Bell states that the further out the forecast is, the more uncertain it is and the more uncertainty premium one puts into the forecast. Has FEI or FBC included an uncertainty premium in its forecasts?

A19: No. FortisBC has not included any "premium" in its capital forecasts for future uncertainty.

FortisBC agrees that the longer the forecast period, the more uncertain the forecast becomes, but the result of this can go both ways since actual capital requirements may be either more or less than forecast. FEI's and FBC's Capital Planning Process is described in Section C3.2 of the Application. The forecasts provided by FEI and FBC were created using a bottom-up approach to quantify system needs based on identified projects and programs that are planned for execution. Detailed descriptions of the methods used for forecasting non-formulaic capital expenditures during the Proposed MRP term have been provided in various IR responses (for example, BCUC IRs 1.10.6, 1.46.5, 1.57.7, 2.202.4). As described in the response to BCUC IR 1.46.5, there is less certainty in the estimates for projects that are planned for execution more than two years in the future, and that uncertainty is reflected by an AACE Class 4-5 cost estimate for the project. In recognition of the uncertainties that are inherent in a five-year forecast, which FortisBC explained in detail in response to BCUC IR 1.51.5, FEI and FBC have proposed to review their 2023 and 2024 forecasts during the Annual Reviews for 2023 rates.

6.1 Please confirm or otherwise explain that the utility will benefit if the forecast is high.