



BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
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Ph: 604-687-3034
Our File: 7300.131

December 10, 2019

VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Wruck,

**Re: FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Multi-Year
Rate Plan Application for 2020 to 2024 ~ Project No. 1598996
BCOAPO Information Requests No. 1 to FortisBC on Rebuttal Evidence**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Information Request No. 1 on Rebuttal Evidence with respect to the above-noted matter.

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

Sincerely,

BC PUBLIC INTEREST ADVOCACY CENTRE

Original on file signed by:

Leigha Worth
Executive Director | General Counsel

Encl.

REQUESTOR NAME: **BCOAPO**
INFORMATION REQUEST ROUND NO: **1 on FortisBC Rebuttal Evidence**
TO: **FORTISBC**
DATE: **December 10, 2019**
PROJECT NO: **1598996**
APPLICATION NAME: **FBC Multi-Year Rate Plan Application for 2020 to 2024**

1.0 Reference: Exhibit B-23, page 2

In the noted section of the Rebuttal Evidence, FortisBC discusses its principles of PBR.

1.1 Please fully explain why one of FortisBC's principles is not the AUC principle 1 for PBR, which states:

A PBR plan should, to the greatest extent possible, create the same efficiency incentives as those experienced in a competitive market while maintaining service quality.

1.2 In the response, please fully discuss why incenting a utility to look for efficiencies similar to that of a competitive business is not one of the FortisBC principles.

2.0 Reference: Exhibit B-23, page 4

In its answer to Q5, FortisBC asserts that there are more quantitative measures to assess the success of PBR plan, then the utility group discusses a number of advantages. It also asserts that O&M savings and capital variances are quantitative measures.

2.1 Please confirm that O&M and capital variances ultimately are reflected in achieved returns.

3.0 Reference: Exhibit B-23, page 8

FortisBC states that "The strong correlation between O&M expenditures and average number of customers indicates that the average number of customers is an appropriate cost driver for O&M costs."

3.1 Please confirm that a strong correlation alone only indicates that the linear regression explains the relationship between that variables, but that a strong correlation alone does not explain the nature of the relationship between the variables. If FortisBC disagrees with this assertion, please explain in detail the basis upon which it disagrees.

3.2 Please confirm that using O&M per customer as an input does not capture any expected economies of scale that should occur as new customers are added. If FortisBC disagrees with this assertion, please explain in detail the basis upon which it disagrees.

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4.0 Reference: Exhibit B-23, Page 10

- 4.1 Please confirm that the quote from AUC Decision 2013-435, paragraph 499 relates only to Natural Gas distribution utilities.
- 4.2 Please confirm that Mr. Bell did acknowledge that there was a growth factor in the natural gas PBR¹ in Alberta and in the K-Bar².

5.0 Reference: Exhibit B-23, Page 13, line 30

FortisBC provides a table of O&M per customer.

- 5.1 Please confirm that, for the years 2013-2018, there appears to be a downward trend in O&M per customer.

6.0 Reference: Exhibit B-23, Page 24

In Q19 FortisBC states:

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?

FortisBC then states in the response:

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

¹ Exhibit C7-9, FBC IRs to Mr. Bell, IR 3.1

² Exhibit C7-6, BCUC IRs to Mr. Bell, IR 3.3

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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 that a rational investor would place some degree of conservatism in estimates that are further into the future. If not confirmed, please fully explain.