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May 8, 2020

Mr. Andy Shadrack
ashadra@telus.net

Attention: Mr. Andy Shadrack

Dear Mr. Shadrack:

**Re: FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1**

On April 3, 2020, FortisBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-97-20 setting out the Regulatory Timetable for the review of the Application, FortisBC respectfully submits the attached response to Shadrack IR No. 1.

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

FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 1

- 1 1. Given the BC government's directive to the BC Utilities Commission (Order In Council No
2 159, [Direction to the BCUC respecting COVID-19 relief provided by BC Hydro](#)), April 2,
3 2020) can FortisBC please explain why the Covid-19 relief measures determined as
4 necessary for customers served by BC Hydro (ie Appendix A, Covid Relief Fund for
5 Residential Customers Grant, page 1-2) should be substantially different for customers
6 serviced by FBC Inc and/or FEI? Please provide, for example, the exact differences in need
7 between a restaurant in Vancouver, Kelowna or Kaslo.
8
- 9 i. Can FBC Inc or FEI, please explain how the federal and BC legislative enactments, BC
10 Orders In Council, BC Public Health Orders and/or social distancing protocols for
11 customers are being enforced differently depending on whether one is a customer of BC
12 Hydro, with or without also being a customer of FEI, or being a customer of FBC, with or
13 without also being a customer of FEI? Please provide specific examples, where
14 applicable, of, say, the different needs of a laid off worker in Vancouver, Kelowna or
15 Kaslo to defer residential energy payments.
16
- 17 ii. Can FBC or FEI please explain why it is, or will be, helpful, particularly for commercial
18 and institutional customers of both BC Hydro and FortisBC, to have two different sets of
19 application criteria and processes to contend with when applying for deferral of payment
20 of an energy bill. Please provide specific examples, where applicable, of, say, the
21 Sandman Inn in Cranbrook versus the one in Castlegar.
22
- 23 iii. Can FBC and FEI please explain why, if the BC government determined, in issuing
24 Order in Council 159, that it was necessary to provide residential customers of BC Hydro
25 with the option of applying for a grant to offset their inability to pay an energy bill, such
26 conditions do not also exist in the FortisBC service areas, especially if, in the case of
27 FEI, those areas overlap with the service area of BC Hydro. Please provide examples of
28 how and why BC Hydro residential customers have different needs than FBC and FEI
29 residential customers, especially when a customer can apply to BC Hydro but not to FEI
30 and why such a situation does not place an unfair financial burden on BC Hydro and
31 their customers.
32
- 33 iv. Can FBC and FEI please explain why, if the BC government determined, in issuing
34 Order in Council 159, that it was necessary to create a Customer Crisis Fund (ie Order
35 In Council No 159, Appendix A, Customer Crisis Fund, page 1-2) to immediately provide
36 a mechanism to cover the cost of any customers who would be unable to pay their bills,
37 that Orders G-8-20 and G-81-20 should not be amended to include such a mechanism
38 to cover such costs.
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FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 2

1 **Response:**

2 We acknowledge that FortisBC's customers are generally similar to BC Hydro's customers and
3 that the pandemic, public health orders and social distancing protocols are affecting the entire
4 province. There will, however, be differences amongst individual customers in all rate
5 schedules throughout the province, and these differences are not dependent on which utility the
6 customer is served by.

7 The differences in COVID-19 pandemic support and programs throughout the Province (and
8 across Canada) reflect, and are influenced by, the unique operating circumstances, ownership
9 and financing structures, regulation and customers of each utility. For example, given the
10 financial resources of the provincial government, it is reasonable that BC Hydro's COVID-19
11 relief program may differ in some respects from relief programs offered by FortisBC and other
12 private utilities in BC.

13 As Order In Council No 159 does not apply to FortisBC, FortisBC proposals are based on what
14 it has determined through its own analysis is the best response for its customers at this time,
15 considering both those impacted by the pandemic and those not, considering impacts to its
16 rates, and taking into account FortisBC's own operating circumstances, financial resources,
17 ownership structure and regulation.

18 While there may be some differences in the approach to COVID-19 response and recovery
19 programs offered by the various utilities in the province, all programs are similar in that they
20 provide immediate and timely measures to support customers. FortisBC believes that its
21 proposed COVID-19 Customer Recovery Fund provides an appropriate balance between
22 support and relief for FortisBC customers significantly impacted by COVID-19 and the cost to all
23 other FortisBC customers of providing that support and relief.

24 Please refer to the response to BCOAPO IR1 2.1 and 1.3 for a discussion of FortisBC's
25 approach to providing relief measures to its residential, commercial, industrial, and
26 transportation customers, and to CEC IR1 1.1 for a summary of utility relief measures across
27 Canada.

28 FortisBC will continue to monitor the pandemic and will bring forward additional proposals to the
29 BCUC as needed.

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33 2. With specific reference to Ms Roy's oral response at line 21, page 18, to line 26, page 19,
34 and Ms Roy and Ms Carmen at line 21, page 20 to line 7, page 26, in the transcript of April 6
35 2020, many residential and other classes of customers are already financially strapped due
36 to the impacts of Covid-19, and those impacts may grow between now and July of 2021.
37 While the exact cost of outstanding deferrals may not be known until July 2021, can



FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 3

1 FortisBC please explain why it would not make sense to agree now on the framework for
2 covering those potential costs?

3

4 **Response:**

5 The establishment of the deferral accounts, including identifying account additions by rate
6 schedule, provides a framework for capturing the costs of the relief measures. What remains to
7 be determined is the appropriate recovery period and rate recovery mechanism for these costs.
8 FortisBC believes that the balance of a deferral accounts and the distribution of that balance by
9 rate classes impacted is a key consideration in the proposed amortization period and recovery
10 approach because of the potential impact on customer rates.

11 Given that the impact and duration of the COVID-19 pandemic remains uncertain, it is not
12 possible to forecast what balance will remain in the COVID-19 Customer Recovery Fund
13 deferral accounts; therefore, it would be premature to determine an amortization period or
14 recovery approach of those potential costs at this time. Rather, it would be more efficient and
15 transparent to establish the recovery of those costs when actuals are known such that an
16 appropriate mechanism and amortization period over which to recover those costs can be
17 determined.

18

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21 i. Are FBC and FEI prepared to share the deferral costs on, say, a 50:50 basis with all
22 customer classes?

23

24 **Response:**

25 FBC and FEI are proposing that the COVID-19 Customer Recovery Fund deferral account
26 balances be recovered from customers as those balances relate directly to the utility services
27 provided to those customers who are relying on the relief offered as a result of the pandemic.
28 FEI and FBC are responsible for arranging the financing requirements, through both debt and
29 equity, to fund the deferral balances, which represent a shortfall in cash flows that would
30 otherwise be utilized to fund core business activities of the utilities.

31 Generally, the sharing of incremental costs or revenues between the FortisBC utilities and
32 customers has been for those items for which the utility could exercise a degree of influence or
33 control. Conversely, costs incurred outside of the control of the utilities that are outside of base
34 rates, referred to as exogenous factors, can include, but are not limited to, catastrophic events,
35 such as floods and wildfires; judicial, legislative or administrative changes; major seismic
36 incidents; and changes in accounting standards or policies. Costs related to these types of
37 exogenous factor events, which have occurred in the past, have been captured in deferral

FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 4

1 accounts and later recovered from customers. The COVID-19 relief offerings being provided to
2 customers are consistent with the nature of uncontrollable exogenous factors.

3
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5

6 ii. Are FBC and FEI prepared to lower their "rate of return" or lower the value of dividend to
7 shareholders as a means to cover their portion of any unpaid deferral costs?

8

9 **Response:**

10 No. The BCUC is legally required to set FBC's and FEI's rates to provide the utilities with a
11 reasonable opportunity to recover their fair rate of return, as determined by the BCUC.
12 FortisBC's rate of return is established through a separate cost of capital proceeding that takes
13 place periodically.

14

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17 iii. Will the cost of unpaid deferral costs be assigned to each class, such that if the industrial
18 class has no deferral costs they will pay for none of the deferral costs, or given that the
19 residential class represents the largest number of customers, will it therefore pay for the
20 largest amount of any deferral costs irregardless of whether the largest amount of
21 unpaid bills originates in the residential class?

22

23 **Response:**

24 The disposition of the COVID-19 Customer Recovery Fund deferral accounts, including from
25 which customer classes the balances will be recovered and over what period, will be the subject
26 of a future process for FEI and FBC; however, the timing of that process will depend on the
27 duration of the COVID-19 pandemic and when its impacts on customers are reasonably well
28 known.

29

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32 3. Given that the BC government, in Order in Council 159, anticipated that some residential
33 customers will be unable to pay their bills, and that customers in other classes are likely to
34 face a similar prospect, particularly if they have already shut down their business, can
35 FortisBC please explain how the Company's response to BCUC IR#1.2.1, "*What are*
36 *FortisBC's actions if customers fail to meet these repayment plans following July 1, 2020?*":
37 "*...FortisBC would institute its regular collections process*"...will in any way assist either a



FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 5

1 commercial or residential customer in dealing with the financial and psychological stress of
2 the Covid-19 pandemic?

3

4 **Response:**

5 FortisBC's full response to BCUC IR1 2.1 is:

6 Depending on the state of the economic recovery post COVID-19 pandemic,
7 FortisBC's would work with customers on a case-by-case basis given their
8 individual circumstances and enter into different payment arrangements or, if
9 appropriate, FortisBC would institute its regular collections process.

10 As described above, FortisBC's plan is to work with customers on a case-by-case basis to
11 determine if extended payment arrangements or other partial payments may be warranted to
12 assist with a customer's financial stress related to their energy bill. Furthermore, working with
13 customers in an effort to find individual payment arrangements that will help them pay their
14 outstanding bills balances the needs of all customers by reducing the impact of bad debts.

15 Further, in addition to the available government assistance programs unrelated to the COVID-19
16 pandemic, both the federal and provincial governments offer targeted support programs to help
17 Canadians and British Columbians to manage, cope with, and deal with the impacts of the
18 COVID-19 pandemic. These support programs include financial support measures for
19 individuals and businesses, and mental health resources to help people manage psychological
20 stress.¹

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24 4. Order L-20-20 grants all BC public utilities the ability to estimate any bill where reading the
25 meter would compromise "social distancing" protocols and/or Public Health Orders. Given
26 that a considerable number of FortisBC's customers, regardless of class, are already under
27 considerable financial pressure, would the Company be open to amending both Orders G-
28 80-20 and G-81-20 to include a provision that where a meter was previously required to be
29 manually read, that the Company, before undertaking an estimate, first ask the customer
30 concerned to read their meter and transmit that reading to the Company?:

31

32 i. Please explain how the potential of overestimating the bill of a financially strapped
33 customer, and overcharging them for the duration of the Covid-19 pandemic, would
34 assist that customer.

35

¹ BC government: <https://www2.gov.bc.ca/gov/content/safety/emergency-preparedness-response-recovery/covid-19-provincial-support>.
Federal government: <https://www.canada.ca/en/department-finance/economic-response-plan.html>.



FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 6

- 1 ii. Would FortisBC also agree that where a meter cannot be read during the Covid-19
2 pandemic, that G-80-20 and G-80-21 should be amended to include the provision that
3 the meter in question will be read within 30 days, or the end, of the first billing period
4 after any Public Health Order or "social distancing" protocol has been relaxed so that the
5 meter can be read.

6
7 **Response:**

8 FortisBC believes it is unnecessary to amend the orders to include any such provisions related
9 to estimated meter reads for the following reasons. First, manual meter reading for FBC is not
10 an issue because with AMI, only a very small number of customers have their meters read
11 manually. For FEI, meter reading can be, and is being, undertaken in accordance with public
12 health orders and guidance, including physical distancing protocols, during the COVID-19
13 pandemic. Second, FortisBC has a robust estimating process in place that takes into
14 consideration factors such as past actual usage and the time of year in order to achieve a
15 reasonable estimate. Regardless, any time a customer is concerned about their estimated
16 meter reading, including instances where they believe it may be overestimated, the customer
17 can contact customer service to provide their meter read and request an adjustment if they feel
18 it is warranted.

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- 21
22 5. Given the downturn in economic activity within the FBC service areas:

- 23
24 i. What savings, if any, has/will the Company accrue/d, as a result of, for example, not
25 having to buy electrical power that is usually more expensive than the cost of producing
26 its own power?

27
28 **Response:**

29 FBC's electricity requirements vary from forecast as a result of many factors that may be both
30 compounding and offsetting. These include weather, trends in customer growth and usage, and
31 normal fluctuations in economic activity, among others. Some of these factors may be affected
32 by the COVID-19 pandemic, but it is difficult to distinguish precisely the impact of COVID-19
33 from other factors affecting total customer load.

34 All variances in power purchase expense, along with variances in sales revenue, are recorded
35 in a deferral account and are returned to (or recovered from) customers in subsequent years.
36 Therefore, to the extent that net savings result from lower customer loads and lower power
37 purchase expense, the benefits will accrue to FBC's customers, not to the shareholder.



FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 7

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ii. Are there any other areas where FortisBC will save money in its operations that would have normally been spent if there was not a downturn in economic activity, due to Covid-19, in the service area?

Response:

FortisBC is monitoring its operations for COVID-19 related savings and costs. However, given the uncertainty regarding the COVID-19 pandemic, its duration, and its overall impact on the BC economy, FortisBC is not able to determine the areas of its operations where there may be savings due to COVID-19 at this time. Adding further uncertainty is that a decision is outstanding on FortisBC's proposed 2020-2024 Multi-Year Rate Plans (MRPs) and, as such, the budgets under which the Companies are operating are not yet finalized.

Areas with potential savings or higher costs include:

- Lower employee travel related expenses (i.e., due to restriction on travel and flights);
- Increased spending for personal protection equipment and hand sanitizers;
- Additional costs for participation in an employee medical and mental health support program – Babylon by Telus Health.

Given the nature of the COVID-19 related savings and costs, these savings and costs may be eligible for exogenous factor treatment under FortisBC's proposed MRPs which would result in the net costs or savings being flowed through to customers in future rates.

iii. Is FortisBC willing to apply any cost savings arising during the Covid-19 pandemic period to use in offsetting any bad debts arising in that same period?

Response:

Please refer to the responses to Shadrack IR1 5.ii and BCOAPO IR1 8.1.



FortisBC Energy Inc. and FortisBC Inc. (collectively FortisBC) Application for Approval of COVID-19 Customer Recovery Fund Deferral Account (the Application)	Submission Date: May 8, 2020
Response to Andy Shadrack (Shadrack) Information Request (IR) No. 1	Page 8

1 6. Assuming that FortisBC has a pre-existing contingency fund in place to deal with bad debts,
2 will the Company apply those funds to deal with bad debts arising from the Covid-19
3 pandemic?
4

5 **Response:**

6 FortisBC does not have a contingency fund to deal with bad debts arising from an extraordinary
7 and unforeseen event like the COVID-19 pandemic.

8 Please refer to the response to BCOAPO IR1 3.1 and 3.2 for a discussion of the normal course
9 bad debts provision.

10
11

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13 7. The Prime Minister has publicly ascertained, and Drs Tam and Henry have confirmed, that
14 some Public Health Orders, and some "social distancing" protocols, even after some
15 relaxation, will have to remain in place longer than the 90 day deferral application period
16 proposed in Orders G-80-20 and G-81-20. Is FortisBC now willing to agree that the deferral
17 application period should be extended, using a wording that would take into account the fact
18 that some businesses and residential customers could be financially impacted for up to a
19 year or until a vaccine is developed?

20

21 **Response:**

22 Please refer to the response to MoveUP IR1 1.1.

23