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Utilities Commission

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Sent via eFile

<b>FBC ANNUAL REVIEW FOR 2020 AND 2021 RATES</b>	<b>EXHIBIT A2-1</b>
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Mr. Doug Slater  
Director, Regulatory Affairs  
FortisBC Inc.  
16705 Fraser Highway  
Surrey, BC V4N 0E8  
electricity.regulatory.affairs@fortisbc.com

**Re: FortisBC Inc. – Annual Review for 2020 and 2021 Rates**

Dear Mr. Slater:

British Columbia Utilities Commission staff submit the following document for the record in this proceeding:

FortisBC Energy Inc. and FortisBC Inc.  
Multi-Year Rate Plans for 2020 through 2024 Decision Compliance Filing dated July 20, 2020  
Pages 3 and 4

Sincerely,

*Original signed by Jessica O'Brien for:*

Marija Tresoglavic  
Acting Commission Secretary

/mp  
Attachment

**Table 1: 2020 Inflation Factor Calculation**

<b>I Factor Calculation</b>	<b>FEI</b>	<b>FBC</b>
CPI	2.692%	2.692%
AWE	2.873%	2.873%
<i>Ratio</i>		
Non Labour	48.000%	38.000%
Labour	52.000%	62.000%
<b>Resulting I Factor</b>	<b>2.786%</b>	<b>2.804%</b>

**2. Directive 35: Updated Benchmarks and Thresholds for FBC's SQIs SAIDI and SAIFI**

Directive 35 from pages 98 to 99 of the Decision states:

In the view of the Panel a rolling three-year average benchmark would make it difficult to detect changes in service quality and therefore, rejects ICG's suggestion that FBC calculate the benchmark on that basis. Given the requirement for updated benchmarks and thresholds for SAIDI and SAIFI, the Panel directs FBC to propose new benchmarks and thresholds in the compliance filing to this decision.

For the benchmarks, and as outlined in the Application, to adjust for the influence of the Outage Management System (OMS) on the reported results, FBC proposed to update the existing SAIDI and SAIFI three year rolling average benchmark using the most recent three full years of results 2017, 2018 and 2019, which incorporate the impact of the OMS.

For the thresholds, and consistent with the change approved by the BCUC to report the results on an annual basis instead of a three-year rolling average, the thresholds below are calculated based on the annual results. Similar to the approach used to determine the thresholds for the prior PBR term, the proposed thresholds are based on statistical analysis (i.e., standard deviation) of the SAIDI and SAIFI historical results from 2010 to 2019.

Using the annual results from 2010 to 2019, the volatility as measured by two standard deviations are 1.30 for SAIDI and 0.62 for SAIFI. The proposed thresholds are then determined by adding the volatility calculated to the proposed benchmarks. For SAIDI, the proposed threshold of 4.52 is the sum of the proposed benchmark of 3.22 plus 1.30 (two standard deviations). For SAIFI, the proposed threshold of 2.19 is the sum of the proposed benchmark of 1.57 plus 0.62 (two standard deviations).

The benchmarks and thresholds using the above calculations are provided in Table 2.

**Table 2: FBC Proposed Benchmarks and Thresholds for SAIDI and SAIFI**

Service Quality Indicator	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	Proposed Benchmark	Proposed Threshold
System Average Interruption Duration Index - Normalized	2.84	1.86	1.95	2.01	2.32	2.13	2.10	4.05	3.15	2.45	3.22	4.52
System Average Interruption Frequency Index - Normalized	2.27	1.38	1.27	1.27	1.64	1.56	1.34	1.78	1.73	1.21	1.57	2.19

### **3. Directive 43: 2019 Base O&M per Customer**

Directive 43 from pages 114 to 119 of the Decision states:

The Panel approves the following incremental O&M funding for FEI: Controllable LNG O&M – 100 percent of the incremental amount requested of \$1.853 million; Customer Expectations and Customer Engagement – 50 percent of the incremental amount requested resulting in a total for both categories being set at \$2.36 million; Indigenous Relations – 100 percent of the incremental amount requested of \$0.888 million; and System Operations, Integrity and Security – 100 percent of the incremental amount requested of \$4.808 million.... Accordingly, the Panel finds FEI’s request for this incremental funding to be necessary to ensure safe and reliable service and the amounts requested to be just and reasonable for inclusion in the FEI 2019 Base O&M.... The Panel approves the following incremental O&M funding for FBC: Engagement - 50 percent of the incremental amount requested being \$0.040 million; and System Operations, Integrity and Safety – 100 percent of the incremental amount requested of \$0.683 million.... Accordingly, the Panel finds FBC’s request for this incremental funding to be necessary to ensure safe and reliable service and the amounts requested to be just and reasonable for inclusion in the FBC 2019 Base O&M.

Further to the adjustments made by the Panel, in Final Argument the Companies committed to update the Base O&M per Customer amount using the actual 2019 average number of customers in this Compliance Filing. Consequently, based on the Panel’s determinations, and the commitment to use actual 2019 customer counts, FEI and FBC have recalculated their respective Base O&M per Customer amounts below.

FEI’s Base O&M per Customer is reduced from \$250 per customer as set out in the Application<sup>1</sup> to \$246 as a result of the directed reductions in funding in addition to a higher than forecast 2019 customer count.

FBC’s Base O&M per Customer is reduced from \$416 per customer as set out in the Application<sup>2</sup> to \$412, primarily as a result of a higher than forecast 2019 customer count.

<sup>1</sup> \$256.150 million (response to BCUC IR1 24.1) divided by 1,024,962 customers (Application page C-19) = \$250.

<sup>2</sup> \$57.670 million (response to BCUC IR1 34.1) divided by 138,649 customers (Application page C-44) = \$416.