

Industrial Customers Group (“ICG”)
Information Request No. 1

FortisBC Inc. (“FBC”)
Annual Review for 2020 and 2021 Rates – Project No. 1599120

1 Reference: Exhibit B-2, Section 1.1.1, p. 2

“FBC is proposing to set permanent 2020 rates at the existing interim levels and to capture the revenue deficiency greater than 1.00 percent approved as interim in the existing 2018-2019 Revenue Surplus deferral account as an offset to prior years’ revenue surpluses.”

- 1.1 Please provide revenue deficiencies and year over year rate increases for the five year period 2017 to 2021 both before and after the use of the 2019-2019 Revenue Surplus deferral account?
- 1.2 Reference Exhibit B-2, Section 1.2, p. 2, item 2
- 1.3 A permanent rate increase of 6.37%, effective January 1, 2021
- 1.4 Please file the Bonbright third principle regarding rate stability and predictability.
- 1.5 Please file evidence, if any, in the 2020-2014 MRP proceeding that forecast January 1, 2021 rates?
- 1.6 Please file provincial government policy regarding an annual rate increase of 5% or more?
- 1.7 Please identify any expected increases in customer’s bills of 7% or more that will be attributable to an across the board increase of 6.37%?
- 1.8 Please comment on whether in this proceeding the delay of capital expenditures should considered in order to reduce the risk of rate shock?

2 Reference: Exhibit B-2, Section 2.2 Inflation Factor Calculation Summary, p.9 and Table 2-1, p.10

“As shown in Table 2-1 below, the I-Factor has been calculated using the actual CPI-BC and AWE-BC indices from the previous year and the actual labour weighting based on the most recent completed year of actuals.”

- 2.1 Please comment on whether a ratio of 62%:38% ratio of labour to non-labour expenditures overstates the companies’ input price inflation in years when growth in the BC-AWE exceeds growth in the BC-CPI?
- 2.2 Please file the AUC Decision 2012-237 dated September 12, 2012 page 48, paragraphs 228-229.
- 2.3 Please calculate the January, 1, 2021 rate increase using a 55:45 ratio of labour to non-labour expenditures and the same actual CPI-BC of 1.596% and AWE-BC data of 5.946% used in Exhibit B-2.

3 Reference: Exhibit B-2, Section 3.3, Table 3-1, p.14

- 3.1 Please provide the forecast and actual DSM savings from January through June 2020, and explain variances.

4 Reference: Exhibit B-2, Section 3.4.7, Figure 3-11, p.25 and Appendix C2, Section 2, p. 1

“FBC estimates that the implementation of AMI had a positive impact on losses (unaccounted-for energy) by deterring theft of power, mainly from indoor marijuana grow sites. Beginning with the 2016 year, FBC included in its forecast of system losses an adjustment based on estimates developed in the AMI Project CPCN application and subsequently adjusted pursuant to the BCUC’s decision on the AMI Project, Order C-7-13.”

- 4.1 Please explain when the reduction in theft of electricity attributable to the AMI project was estimated to have occurred, and whether the reduction in losses from 2013 to 2014 as shown in Figure 3-11 is attributable to the AMI project or some other factor.

5 Reference: Exhibit B-2, Section 4.7, Table 4-4, p. 34

“Wheeling expense includes wheeling service provided by BC Hydro under the Amended and Restated Wheeling Agreement (ARWA) and OATT as needed ...”

- 5.1 Please file the original Wheeling Agreement and the ARWA, and provide references to Commission decisions approving the ARWA?

6 Reference: Exhibit B-2, Section 6.1, p. 39; Section 11, Schedule 20, lines 2-8, and the formula provided in Section 6.2

“In 2020, the Formula O&M is \$59.447 million, representing a 6.0 percent increase from the 2019 Formula O&M approved under the 2014-2019 PBR and a 3.2 percent increase from the 2019 Base O&M.”

- 6.1 Please provide a detailed calculation of the 6.0 percent increase referenced above, and identify and compare the 2019 formula inputs to the 2020 formula inputs including the calculation of the 2019 and 2020 Base Unit Cost.
- 6.2 Please provide references (with page numbers) to relevant regulatory decisions and the calculation of the 2019 Approved Base UCOM and the 2020 Approved formula UCOM. Please file compliance applications relevant to the calculation of the 2019 Approved Base UCOM?

7 Reference: Exhibit B-2, Section 7.4, Table 7-4, p. 51 and Section 11, Schedule 5

- 7.1 Please revise Table 7-4 by adding an additional column for actual 2019 and revise Section 11, Schedule 5 to include Project 2020?

8 Reference: Exhibit B-2, Section 8, p. 67, Financing and Return on Equity

“FBC has prepared this Application using a capital structure of 60 percent debt and 40 percent equity and a Return on Equity (ROE) of 9.15 percent as approved by Orders G-129-16 and G-47-14.”

- 8.1 Please calculate an ROE for the test period for FBC by applying the Automatic Adjustment Mechanism (AAM) approved by Order G-75-13 and using current long Canada bond yields and assuming the 3.8% threshold does not apply?
- 8.2 Please calculate an ROE for the test period for FBC by applying the single variable model used by the Commission prior to 2009 and using current long Canada bond yields?
- 8.3 Please provide in table format the comparable (FEI) authorized ROE for Alberta, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador. In the same table, please reference the decision and the date of approval of each ROE.
- 8.4 Please also provide the 10 and 30-year long Canada bond yields as of September of each year from 2009 to 2020 and calculate the spreads between the 10-year and 30-year long Canada bond yields?
- 8.5 Please comment on the effects of the COVID-19 pandemic on equity valuations, including whether equity return expectations have changed due to the pandemic?
- 8.6 Please comment on whether investors view current market conditions as dissimilar to those in June 2012?
- 8.7 Please calculate the January 1, 2021 rate increase with an equity component of 38%?

9 Reference: Exhibit B-2, Appendix B, Section 2.1

“Due to capacity constraints at the station, two potential new large load requests could not be connected at the requested load levels. To accommodate native load growth, load increases for existing commercial/industrial customers and the recent large capacity requests, it is necessary to increase the station capacity.”

- 9.1 Please identify the size of the two potential new large load requests?
- 9.2 What is the size threshold for capacity requests to be funded by the customer?
- 9.3 What was the size of the new load added on 11 Line between Grand Forks and Mawdsley and was the substation funded by the customer in that case?
- 9.4 Please explain why this significant project was not identified in the list of capital projects submitted in the response to ICG information request 17.2 in Exhibit B-17 in the Application for Approval of a Multi-Year Rate Plan for 2020 through 2024 (Project No. 1598996)?
- 9.5 Please describe major outages, including frequency and duration, for the period June – September, 2020 in the Boundary and West Kootenay service area?

10 Reference: Exhibit B-2, Appendix B, Section 2.1

“The actual/forecast winter peak load will exceed the existing winter limit in normal operation in year 2028 assuming native load growth.”

10.1 What is the minimum possible scope and cost for replacing the PLA transformer with a used transformer with a winter rating of 20 MVA?