10 September 2020

VIA E-FILING

BCPIAC
Public Interest Advocacy Centre

Reply to: Leigha Worth
ED@bcpiac.org
Ph: 604-687-3034
Our File: 7311.131

Marija Tresoglavic
Acting Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms Tresoglavic,

Re: FortisBC Inc. Annual Review for 2020 and 2021 Rates ~ Project No. 1599119
BCOAPO Information Request No. 1 to FortisBC Inc. (FBC)

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

Enclosed please find the BCOAPO's Information Request No. 1 to FBC 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**
TO:	**FortisBC Inc. (FBC)**
DATE:	**September 10, 2020**
APPLICATION NAME:	**FortisBC Inc. – Annual Review for 2020 & 22021 Rates**
PROJECT NUMBER:	**1599119**

1.0 Reference: Exhibit B-2, page 1

Preamble: The Application states (page 1):

FBC will continue to pursue productivity improvements as it seeks to manage its business needs within the challenges described above. While such potential productivity improvements may lead to cost reductions, FBC's focus will be on efficient allocation of resources within the business and "doing more with what we have".

1.1 Is it expected that FBC's focus on the efficient allocation of resources within the business and "doing more with what we have" will (all else being equal) have a favourable impact on the achieved ROE (i.e., actual ROE results that are above the allowed ROE)? If not, please explain why.

2.0 Reference: Exhibit B-2, page 4

Preamble: The Application states (Table 1-1, Item 2):

FBC has not identified any efficiency initiatives with a payback beyond the end of the MRP period.

2.1 Please provide a schedule setting out the specific efficiency initiatives that FBC considered in arriving at the above conclusion and for each document: i) when the initiative started/is expected to start, ii) the cost and iii) the anticipated payback period.

3.0 Reference: Exhibit B-2, pages 4-5

Preamble: The Application states (page 4):

FBC has calculated the 2020 revenue requirement using a combination of the approved formula for O&M and the approved forecasts for Regular Capital from the MRP Decision as well as projected 2020 amounts for items that are forecast annually. The projected 2020 amounts for these forecast items include six months of actual results up to June

30, 2020. FBC has not identified any efficiency initiatives with a payback beyond the end of the MRP period.

3.1 With respect to Figure 1-1, please indicate which of the eight items include six months of actual results up to June 30, 2020.

3.2 Are all of the Figure 1-1 items that included six months of actuals ones where annual variances between approved and actual amounts are captured in the Flow-Through Deferral Account or another approved deferral account? If not, please identify the exceptions.

4.0 Reference: Exhibit B-2, pages 9-10

4.1 Please provide a schedule that sets out the derivation of the actual 2019 labour weighting of 62%. As part of the response, please provide references for the specific inputs used and where the source documents can be can accessed.

4.2 Based on the Annual Review Applications for FBC's 2015-2019 rates plus the current Application, please provide a schedule that sets out the 12 Month Average Values for AWE ($) as of June for each year from 2013 to 2019 and the resulting % annual changes for 2014-2019.

4.3 The change in the monthly value for BC AWE ($) for April 2020 over March 2020 is materially higher than the monthly changes that have historically occurred. Can FBC explain why?

4.3.1 In particular, is the change at all attributable to the impacts of the COVID-19 pandemic (e.g., did those losing jobs in April 2020 due to the pandemic tend to be in job categories with lower average weekly earnings?)?

4.3.2 If the change is at all attributable to the COVID-19 pandemic, will FBC include these impacts on the approved O&M for 2020 in its evaluation (as discussed on page 140) of the COVID-19 incremental costs and related savings for purposes of determining the amounts to be included in the COVID-19 Customer Recovery Fund Deferral Account?

5.0 Reference: Exhibit B-2, pages 10-11 and 39
Exhibit B-2, Schedule 11 – Schedule 18 (page 128)
BCUC Decision and Orders G-165-20 & G-166-20, page 118

5.1 Please reconcile the Average Customer Forecasts for 2020 and 2021 per Table 2-2 (i.e., 141,189 and 142,754 respectively) with the Average Number of Customers Forecasts for 2020 and 2021 in Schedule 18 (page 128).

5.2 Please provide a copy of FBC's MRP Decision Compliance filing which provides the calculation of the 2019 Base O&M per Customer of $412 (per page 39) and the 2019 customer count used in the calculation.

5.3 If the 2019 customer count used in the MRP Compliance filing to determine the 2019 Base O&M per Customer differs from the 139,916 used in Table 2-2, please explain why the139,916 value is the appropriate one to use.

6.0 Exhibit B-2, pages 13 and 15

Preamble: The Application states (page 13):

The Projected Year is forecast based on the latest years of actual data available (through 2019). The January through June forecast values were then replaced with Actual 2020 values.

6.1 What is the impact on the 2020P forecast (as set out in Table 3-2) of replacing the January through June forecast values with actual values?

7.0 Reference: Exhibit B-2, pages 13-14 and Appendix A2, page 8 (Table 5.3)

7.1 With respect to Table 5.3, the footnote on page 14 explains that the values for 2020P and 2021F are incremental values as compared the actual embedded 2019 savings. Please explain the basis for the values set out in Table 5.3 for the years 2015-2019 (e.g. are they: i) the incremental savings as compared to actual embedded 2014 savings, ii) the incremental savings in each year as compared to the actual embedded savings in the prior year, or iii) something else)?

7.2 With respect to Table 5.3, please provide the DSM with Losses values for each of the years 2010-2014 consistent with the approach used for 2015-2019.

7.3 For the years 2010-2019 please provide a breakdown of the annual reported DSM with Losses consistent line items set out in Table 3-1 (page 14).

8.0 Reference: Exhibit B-2, pages 16-18 and Appendix A3, pages 3-4

Preamble: The Application states (Appendix A3, page 3):

"The formula to forecast the expected before-savings residential load in year t is:

$$Before\ Savings\ Loadt = UPCt \times Average\ Customer\ Growtht$$

where UPC (use per customer in MWh per customer per year) is before-savings".

The Application also states (Appendix A3, page 3):

"Next, average customer count in year t is calculated as:

$Average\ Customer\ Countt = (Year\ End\ Countt - Year\ End\ Countt)$

The year-end customer count was based on the least squares regression model below.

$Average\ Customer\ Countt = b0 + b1 \times Populationt$"

8.1 With respect to the first equation in the preamble, is the UPC multiplied by the "Average Customer Growth" or by the "Average Number of Customers" in order to derive the "Before Savings Load"? If "Average Customer Growth" is used, please explain why this is appropriate.

8.2 With respect to the second equation in the preamble, please provide the historical and forecast population values used and indicate whether they are year-end or average annual values.

8.3 With respect to the second equation in the preamble, is the dependent variable the year-end customer count (as indicated by the text) or the average customer count (as indicated by the formula)?

8.4 Please confirm that the values set out in Appendix A2, Table 3.1 are year-end values and the customer counts used to determine the UPC for each year are based on the average of the year-end customer count for the year concerned and the previous year.

8.5 Please provide a schedule that for the years 2010-2019 sets out the annual cumulative Residential DSM savings per customer (using 2010 as the base year).

8.6 Over the 2010 to 2019 period is there a trend in the cumulative Residential DSM Saving per Customer that will be impacting the value for the UPC Slope set out in Table A3-3?

8.7 Is the Slope UPC coefficient (-0.24) statistically significant (i.e. statistically different from zero)?

8.8 Is the year-end Residential Customer count forecast for 2020P based strictly on the results of the regression equation (per Appendix A3, page 4) or does it incorporate the information regarding the actual customer counts for January to June 2020?

8.9 Is the average Residential Customer count forecast for 2020P (per page 11) based strictly on the average of: i) the results of the regression equation (per Appendix A3, page 4) for the 2020 year-end value and ii) the actual 2019 year-end value? If not, how was it determined?

8.10 What is the actual Residential customer count as of June 2020?

9.0 Reference: Exhibit B-2, pages 18-20 and Appendix A3, pages 4-5

9.1 Please provide the regression equation for the Commercial customer count and indicate the years used in the estimation.

9.2 Is the year-end Commercial Customer count forecast for 2020P based strictly on the results of the regression equation (per page 18) or does it incorporate the information regarding the actual customer counts for January to June 2020?

9.3 Over the 2005 to 2019 period is there a trend in the cumulative Commercial DSM Saving that will be impacting the value for the Slope GDP set out in Table A3-5?

9.4 What was FBC's actual Commercial customer count as of June 30, 2020?

10.0 Reference: Exhibit B-2, page 20-21 and Appendix A3, page 5

Preamble: It is noted that the Commercial Load and Customer forecasts are based on a GDP forecast that includes impacts due to the COVID-19 pandemic.

10.1 In the case of the Wholesale forecast, was the timing of the survey such that the forecast can be viewed as including impacts due to the COVID-19 pandemic?

10.2 In the case of the Industrial forecast, was the timing of the load survey such that the forecast can be viewed as including impacts due to the COVID-19 pandemic?

11.0 Reference: Exhibit B-2, pages 15 and 24-25

11.1 Please explain why losses increase in 2020 versus 2019 (i.e., 276 GWh vs. 274 GWh) when the net load in 2020 is lower than that in 2019 (per Table 3-2).

12.0 Reference: Exhibit B-2, pages 29 and 31-32

Preamble: The Application states (page 29):

The decrease in the 2020 Projected Power Supply cost is attributed to increased market savings as well as a decrease

in gross load, both of which result in decreased purchases under the Company's power purchase agreement with BC Hydro. This decrease is slightly offset by increased rates for Waneta Expansion supply.

The Application states (page 31)

The reduction in 2020 Projected power purchase expense is attributed to decreased purchases from the BC Hydro PPA due to decreased gross load and lower cost wholesale market purchases.

12.1 Please provide a revised version of Table 4-2 that shows the GWh contribution associated with each of the rows towards the Approved 2019 total of 3,602 GWh, the Actual 2019 total of 3,616 GWh and the Projected 2020 total of 3,562 GWh. For each row please also include the resulting cost per MWh. In doing so, please include rows to account for FortisBC's own generation and, if necessary, any external sales.

12.2 With respect to Table 4-2, how much of the reduction in BC Hydro PPA costs and GWh (as between 2019 Projected vs. Approved) was due to being able to replace the PPA energy purchases with additional market purchases?

12.3 With respect to Table 4-2, is all of the increase in Market and Contract purchases (2019 Projected vs. Approved) the result of increases to replace more expensive PPA energy purchases? If not, how much of the increase (in both dollar and GWh terms) was for this reason?

12.4 Please explain the increase in BC Hydro PPA costs as between Actual 2019 and Projected 2020. If the BC Hydro PPA purchased energy is higher in 2020, please explain why.

12.5 How do the 2020P forecast BC Hydro PPA purchases compare with the PPA Nomination for the same period?

12.6 If the 2020P forecast BC Hydro PPA purchases exceed 75% of the PPA Nomination, please explain why the purchases cannot be reduced further and substituted with Market and Contract Purchases.

13.0 Reference: Exhibit B-2, pages 29 and 32-34

Preamble: The Application states (page 29):

The increase in the 2021 Forecast Power Supply cost is mainly due to a gross load increase from 2020 Projected gross load, and therefore increased purchases under the Company's power purchase agreement with BC Hydro, as

well as increased rates for BC Hydro and Waneta Expansion supply.

. The Application also states (page 32):

The forecast increase from $138.612 million in 2020 to $146.260 million in 2021 is mainly a result of an increase in gross load and correspondingly, a greater reliance on higher cost energy supplied by BC Hydro. Also contributing to the increase are reduced surplus sale expectations along with escalations to BC Hydro and Waneta Expansion contract rates.

13.1 Please provide a revised version of Table 4-3 that shows the GWh contribution associated with each of the rows towards the Projected 2020 total of 3,562 GWh and the Forecast 2021 total of 3,646 GWh. For each row please also include the resulting cost per MWh. In doing so, please include rows to account for FortisBC's own generation and, if necessary, any external sales.

13.2 How do the 2021forecast BC Hydro PPA purchases compare with the PPA Nomination for the same period?

13.3 It is noted that the increase in BC Hydro PPA GWh purchases (97 GWh) exceeds the increase in Gross Load (85 GWh). Please explain why, on a planned basis, BC Hydro PPA purchases (as opposed to Market and Contract Purchases) are used to address the increase in Gross Load.

14.0 Reference: Exhibit B-2, page 34-35

Preamble: The Application states:

"*FBC includes transmission wheeling losses in its load forecast and also includes loss recovery as a firm resource*."

14.1 Please explain how/where Tables 4-2 and 4-3 include loss recovery as a firm resource.

15.0 Reference: Exhibit B-2, pages 36-38

Preamble: The Application states (page 37):

"FBC implemented a number of customer relief measures in 2020 due to the COVID-19 pandemic, including the suspension of Late Payment Charges. As a result, 2020 Projected Late Payment Charges are expected to be lower than 2019 Approved. In 2021, FBC expects the amount of Late Payment Charges to return to a more normal level."

15.1 Please confirm that the reduction in Late Payment Charges revenue in 2020 will not be captured in the deferral account for the COVID-19 Customer Recovery Fund.

16.0 Reference: Exhibit B-2, pages 39-42 and Appendix C2, page 2

16.1 Does the determination of the 2019 Approved Base O&M and resulting Approved UCOM capture the impact of the actual 2019 AMI Costs and AMI savings.

16.1.1 If not, how would the values change if adjusted to reflect the actual 2019 AMI Costs and AMI Savings?

16.2 Are the 2019 AMI Costs and 2019 AMI Savings included in the 2019 Approved UCOM representative of the amounts to be expected in future years, subject to inflationary adjustments?

16.2.1 If yes, please explain why.

16.2.2 If not, what further adjustments are required to the Costs or Savings in either 2020 or 2021 and why are these amounts not included in Table 6-4 as adjustments outside the formula?

17.0 Reference: Exhibit B-2, page 47

Preamble: The Application states:

"*FBC's 2020 Rate Base includes the full-year impacts of the 2019 closing plant balances as well as the impact of the following amounts:*

- *Mid-year impact of capital additions, net of Contributions in Aid of Construction (CIAC) additions, resulting from regular capital expenditures of $85.874 million*
- *Mid-year impact of plant depreciation, net of CIAC amortization, of $63.910 million"*

FBC's 2021 Rate Base includes the full-year impacts of the 2020 closing projected plant balances as well as the impact of the following amounts:

- *Mid-year impact of capital additions, net of CIAC additions, resulting from regular capital expenditures of $92.133 million*
- *Mid-year impact of plant depreciation, net of CIAC amortization, of $71.554 million"*

17.1 With reference to the Tables in Section 7.0 and the Schedules in Section 11.0, please provide the sources/derivation of the $85.874 million and $92.133 million values for 2020 and 2021 respectively.

17.2 With reference to the Tables in Section 7.0 and the Schedules in Section 11.0, please provide the sources/derivation of the $63.910 million and $71.544 million values for 2020 and 2021 respectively.

18.0 Reference: Exhibit B-2, page 48
BCUC Decision and Orders G-165-20 & G-166-20, page 126

18.1 Please explain why the Sustainment Capital Expenditures for 2020 and 2021 as set out Table 7-2 of the Application do not match those set out in Table 44 from the BCUC's MRP Decision.

18.2 With respect to Table 7-1 in the Application, did the BCUC also approve the 2020 and 2021 values for CIAC?

18.2.1 If yes, please indicate where.

18.2.2 If not, please explain the basis for the values used in the Application.

19.0 Reference: Exhibit B-2, page 50

19.1 How does the expected cost of $74.405 M for the Corra Linn Dam Spillway Gate Replacement Project compare with the expected cost at the time of its approval (per Order C-1-17)? If the variance is greater than 5% (plus or minus), please provide an explanation as to why.

20.0 Reference: Exhibit B-2, pages 50-51 and Appendix B, pages 4-5

20.1 For which years in Appendix B, Figure 3 is the Peak Load (solid blue line) based on actual vs. forecast loads and what accounts for the large increase in 2019?

20.2 How is the Peak Load forecast (solid blue line) in Figure 3 impacted by the CIVID-19 pandemic?

20.3 Are the two potential new loads still expected to materialize if the station capacity is increased?

21.0 Reference: Exhibit B-2, pages 50-51 and Appendix B, pages 6-7

21.1 How many transformers are located at the PAS substation and at the Tarry substation.

21.2 For each of the PAS and Tarry substations please provide a graph that sets out the historic and forecasts winter peak load along with their winter normal limits.

21.3 What are the planning criteria for the PLA substation (e.g. is it N-1 or N-0) and why?

22.0 Reference: Exhibit B-2, pages 50-51 and Appendix B, page 7

22.1 If the only consideration was the aging infrastructure and equipment condition, when (in FBC opinion) would the transformer at PLA need to be replaced?

23.0 Reference: Exhibit B-2, pages 50-51 and Appendix B, page 19

23.1 Has FortisBC received any feedback from local residents or other parties regarding the proposed project and footprint expansion?

23.2 If yes, what concerns have been expressed and how does FortisBC plan on addressing them?

24.0 Reference: Exhibit B-2, page 77 (Schedule 2)

24.1 Please explain why the 2020 Beginning Plant in Service ($2,112,240) does not equal the Ending Plant in Service for 2019 ($2,119,226).

25.0 Reference: Exhibit B-2, pages 2-3 and 53

Preamble: The Application (page 53) states:

Based on amortizing the opening deferral account balances using the approved and proposed amortization periods, the 2020 amortization expense for rate base deferral accounts is calculated as $4.691 million and the 2021 amortization expense is calculated as $5.536 million.

25.1 For which Rate Base Deferral Accounts is the current Application proposing and seeking approval of the amortization period?

25.1.1 For each of these accounts please either: i) provide the proposed amortization period and the associated rationale or ii) indicate where in the Application the proposed amortization period is explained.

26.0 Reference: Exhibit B-2, pages 54-55, 88 (2020-Schedule 11) and 119 (2021-Schedule 11)

26.1 Please reconcile the 2020 Gross Additions and Transfers/Adjustments set out in 2020-Schedule 11 for the BCUC-Initiated Inquiry Cost Deferral Account with the 2020 and prior costs described on page 55.

26.2 Please reconcile the 2021 Gross Additions set out in 2021-Schedule 11 for the BCUC-Initiated Inquiry Cost Deferral Account with the 2021 costs described on page 55.

27.0 Reference: Exhibit B-2, pages 53-56 and 89-90

27.1 Please explain why each of six deferral accounts are proposed to be Rate Base Deferral Accounts.

27.1.1 In particular please explain why the four accounts related to regulatory proceedings are rate base deferral accounts when the deferral accounts for many previous regulatory proceedings (see pages 89-90) were non-rate base deferral accounts financed at rates other than the weighted average cost of capital.

28.0 Reference: Exhibit B-2, pages 64-65

Preamble: The Application (page 64) states:

"Unrecovered revenues are representative of accounts receivable balances that are determined to be uncollectible due to COVID-19 and therefore include the write-offs of bad debts. These forecast balances are meant to represent the unrecovered revenues specific to COVID-19 that are recognized in the deferral account and therefore are in excess of the normal course forecast bad debt expense that is recognized in indexed-based O&M."

28.1 Please indicate the level of bad-debt expense included in the indexed O&M for 2020 and 2021 and show how it is determined.

28.2 Does FortisBC intend on recognizing in the deferral account all bad debt expense in excess of the forecast bad debt expense that has been included in the indexed-based O&M for 2020 and 2021?

28.2.1 If yes, please explain why this approach is reasonable.

28.2.2 If not, please outline how FortisBC intends on determining the portion of actual bad debt expense for 2020 and 2021 that will be included in the deferral account.

29.0 Reference: Exhibit B-2, pages 67-68

Preamble: The Application states (page 67):

"Any variances from interest rates used to set rates, and any variances in interest resulting from items subject to flow-through in the Flow-through deferral account, will be flowed through to customers. All other differences in interest expense will affect the achieved ROE and be subject to earnings sharing".

The Application states (page 68):

"FBC uses interest rate forecasts to estimate future interest expense. Forecasts of Treasury Bills and benchmark Government of Canada Bond interest rates are used in determining the overall interest rates for short-term debt and for rates on new issues of long-term debt, respectively. The forecasts are based on available projections made by Canadian Chartered banks."

29.1 Please indicate what would give rise to "other differences in interest expense" that would be subject to earnings sharing.

29.2 Please provide a schedule that sets out the derivation of the 3.9% rate for the July 2021 debt issuance based on the forecast for benchmark Government of Canada Bond interest rates.

29.3 What is the timing of the sources for the benchmark Government of Canada Bond interest rates underpinning the 3.9% interest rate used for the July 2021 debt issuance? Is there a more recent forecast available and, if so, what is it?

30.0 Reference: Exhibit B-2, page 72

30.1 Are the 20% and 30% increases in the assessed values for distribution and transmission based on the actual results of the major review by BC Assessment?

30.1.1 If not, what is the basis and is there a further update on the expected results of the review?

31.0 Reference: Exhibit B-2, pages 138-139

31.1 Is the COVID-19 pandemic expected to have any impact (e.g. delay) on the timing of regular capital expenditures forecast approved as part of the MRP?

31.1.1 If not, why not?

31.1.2 If yes, will the revenue requirement impacts be included in any approval FBC seeks exogenous factor treatment for incremental impacts related to COVID-19?

32.0 Reference: Exhibit B-2, page 147

32.1 Please update the 2020 results in Table 13-1 to include all months for which data is currently available.

33.0 Reference: Exhibit B-2, page 150

Preamble: The Application states:

> “The June 2020 year-to-date performance 82 percent. This result excludes the period of March 23 to May 3, 2020, as all Service Quality Measurement (SQM) surveys were suspended during that time due to the COVID-19 pandemic.”

33.1 Was the calculation of any other Service Quality Indicators impacted by the suspension of SQM surveys for the period March 2, 2020 to May 3, 2020?

34.0 Reference: Exhibit B-2, pages154-56

34.1 With respect to Tables 13-11 and 13-12 please explain how the Annual Normalized Results for the June 2020 YTD values for SAIDI and SAIFI were determined.

35.0 Reference: Exhibit B-2, Appendix C3, pages 2 and 11

35.1 Do the expenditures set out in Table C3-2 include the contributions to CoGF and Interfor (per page 2)?

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